US EPA RECORDS CENTER REGION 5
463622

The Dow Chemical Company
Midland, Michigan 48674

August 31, 2001
2030 Dow Center

SEP 05

VIA FEDERAL EXPRESS

Deena Sheppard-Johnson
Enforcement Specialist
U. S. Environmental Protection Agency
Remedial Enforcement Support Section
77 West Jackson Boulevard (SR-6J)
Chicago, Illinois 60604-3590

RE: Request for Information Pursuant to Section 104(e) of CERCLA, for Chemical Recovery Systems, Inc., 142 Locust Street, Elyria, Ohio 44035

Dear Ms Sheppard-Johnson:

This letter is the Response of The Dow Chemical Company to a March 2, 2001, Request for Information received from the U. S. Environmental Protection Agency (U.S. EPA) pursuant to Section 104(e) of CERCLA regarding the Chemical Recovery Systems Site, Elyria, Ohio (Site). Though the Request and accompanying letters are dated several months earlier, Dow received the Request in mid-July 2001.

Should additional information or documentation present itself in the future, Dow will notify U.S. EPA immediately and amend this response accordingly.

Please feel free to contact me if you have any questions regarding this response.

Very truly,

Tracy Goad Walter

Tracy Goad Walter
Attorney
989-638-9511

cc: Mr. Thomas Nash, Associate Regional Counsel, U.S. EPA (with enclosures)

Enclosures

Response of The Dow Chemical Company on behalf of Essex Specialty Products, Inc. to Request for Information
In the matter of Chemical Recovery Systems, Inc.

The Dow Chemical Company (TDCC), on behalf of its wholly owned subsidiary Essex Specialty Products, Inc. (ESP) submits this Response to the information request received in mid-July 2001 from the United States Environmental Protection Agency (U.S. EPA) regarding Chemical Recovery Systems, Inc., Elyria, Ohio (the "Site"). Respondent reserves the right to supplement this response should any additional responsive information be discovered. Respondent has endeavored to answer the questions in the U.S. EPA's letter to the fullest extent reasonably possible. The enclosed information is being provided in an effort to cooperate with the U.S. EPA, without admitting or acknowledging that the U.S. EPA has the authority to require production of the information requested, or that the statutory authority asserted in the 104(e) letter is applicable. Additionally, nothing in this response should be construed as an admission of any liability or responsibility on the part of Respondent regarding any costs incurred by the U.S. EPA or any other party relating to the Site. Respondent reserves all defenses and rights available to it under the law.

Respondent has a policy and well-documented history of cooperation with federal, state, and local environmental authorities. It intends to cooperate, likewise, with respect to the instant Request. The extremely broad scope of the Request, however, compels Respondent to raise objections to the Request, both general and specific. In so doing, Respondent does not intend to diminish the seriousness of purpose with which it has investigated matters implicated by the Request or with which it has assembled this response. Respondent is not prepared, however, to undertake the overly broad and onerous burden demanded by the Request where that burden is not reasonably calculated to lend to pertinent or responsive information regarding Chemical Recovery Systems, Inc. (the "Site").

GENERAL OBJECTIONS

Respondent asserts the following general objections to the Request. To the extent Respondent responds to questions to which it objects, such objections are not waived by the furnishing or providing of information.

1. Respondent objects to the Request to the extent the Request exceeds the scope of U.S. EPA's authority under CERCLA §104(e)(2).

2. Respondent objects to the Request to the extent it seeks a certification to this Response. Respondent is unaware of any statutory authority that requires such a certification. Subject to and without waiving this objection, Respondent states that it has undertaken a reasonable and thorough search for information responsive to the Request and would not willfully submit any false information.

3. Respondent objects to the Request as overly broad and unduly burdensome. Specifically:

   (a) The definition of "Respondent," which is used in the Request to identify the entity and/or entities from which U.S. EPA seeks a response, is overbroad. The Request seeks information regarding Respondent's officers, managers, employees, contractors, trustees, predecessors, partners, successors, assigns, subsidiaries, and agents, in complete disregard of legal limitations on corporate liability.

   (b) Respondent objects to the Request because the Request seeks information regarding activities at a level of detail that is impossible to provide without extreme burden and oppression, if at all. The activities and/or information that are the subject of the Request took place or may have taken place over 20 years ago.

   (c) Respondent objects to the Request to the extent the Request asks Respondent to state all facts, identify all acts, ommissions, occasions and circumstances, identify or produce all documents related to, or identify all persons who have knowledge of or information about the activities that are the subject of the Request. Given the temporal and physical scope of the Request, it is impossible for Respondent to provide all facts, identify all occasions and circumstances, identify or produce all documents related to, or identify all persons who have knowledge of, the activities that are the subject of the Request.

4. The nexus documents provided to Respondent by U.S. EPA are unlabeled and unexplained. There is no foundation established for the documents and no basis for Respondent to interpret them. Respondent reserves its objections with respect to the nexus documents.

5. Respondent objects to the Request to the extent it seeks information protected from disclosure by the attorney-client privilege, the attorney work-product doctrine, the joint defense privilege, and any other legally cognizable privilege. Respondent further objects to the Request to the extent it dictates the manner in which those privileges are to be asserted.

6. Respondent objects to the Request to the extent it seeks information in the possession, custody, or control of U.S. EPA or any other local, state, or federal governmental authority. Respondent further objects to the Request to the extent it seeks information that is a matter of public record.

7. Respondent objects to the Request to the extent it seeks information outside of Respondent's possession, custody or control.

RESPONSE

Respondent's answers are provided on information and belief based upon the results of a diligent inquiry. Respondent further states that it has limited its inquiry of activities to those that occurred during the relevant timeframe of 1940-1981.

1. Identify all persons consulted in the preparation of the answers to these questions.

   RESPONSE: Subject to and without waving its objections, Respondent states that the undersigned counsel, Tracy Goad Walter, and Nanette Stieve, paralegal, investigated, conducted a search for documents related to and answered questions Nos. 1-14. In the course of their investigation, they contacted persons in the TDCC Corporate Legal Department, Records Management Center, at various facilities, and in several corporate functions. Their investigation confirmed what is obvious from ESP's records management program, no documents exist regarding this site. Their investigation found no person with ESP, ECC, or their parent, TDCC, with personal knowledge regarding the CRS Site. Other than the scope of this investigation, including the document search, Ms. Goad Walter and Ms. Stieve have no personal knowledge of the information provided.

2. Identify all documents consulted, examined, or referred to in the preparation of the answers to these questions and provide copies of all such documents.

   RESPONSE: Respondent specifically objects to this question to the extent it presumes Respondent relied upon documents in responding to these questions. Respondent further objects to this question to the extent it seeks to obtain documents to and from Respondent and its undersigned attorneys. Subject to and without waiving its objections, Respondent responds that all non-privileged documents on which it relied in answering these questions are attached.

3. If you have reason to believe that there may be persons able to provide a more detailed or complete response to any question or who may be able to provide additional responsive documents, identify such persons.

   RESPONSE: Respondent refers to its General Objections Nos. 3,4,6 and 7 in response to this request. Subject to and without waiving its objections, Respondent states that it is aware of no such persons.

4. List the EPA Identification Numbers of the Respondent.

   RESPONSE: Respondent refers to its General Objections numbers 1,3,6 and 7. Respondent further objects to this request as unduly burdensome to the extent it seeks EPA ID numbers for sites unrelated to the CRS matter. Subject to and without waiving its objections, Respondent hereby provides the USEPA numbers for the facilities referenced in the documents provided by USEPA.

Dowell Schlumberger, 428 Thatcher Drive, Youngstown, Ohio, EPA-ID: OHD055821011.

Lilly Jamestown Inc., 125 Blackstone Ave, Jamestown NY, EPA-ID NYD055050157.

5. Identify the acts or omissions of any persons, other than your employees, contractors, or agents, that may have caused the release or threat of release of hazardous substances, pollutants, or contaminants and damages resulting therefrom at the CRS Site.

   RESPONSE: See General Objections Nos. 1,3,4,6 &7. Respondent specifically objects to this question to the extent it presumes that Respondent has knowledge of such acts or omissions. Subject to and without waiving its objections, Respondent states that it has no knowledge of such acts or omissions.

6. Identify all persons, including respondent's employees, who have knowledge or information about the generation, use, treatment, storage, disposal, or other handling of material at or transportation of materials to the Site (operating as Obitts Chemical Company or Chemical Recovery Systems, Inc., at 142 Locust Street, Elyria, Ohio).

   RESPONSE: See General Objections Nos. 1, 3, 4, 6 & 7. Respondent specifically objects to this question to the extent it presumes that Respondent has knowledge of such persons. Subject to and without waiving its objections, Respondent states that it has no knowledge of such persons.

7. Describe all arrangements that Respondent may have or may have had with each of the following companies and persons:

   a. Obitts Chemical Company

   b. Russell Obitts

   c. Chemical Recovery Systems, Inc.

   d. Peter Shagena

   e. James Freeman

   f. James "Jim" Jackson

   g. Donald Matthews

h. Bob Spears

i. Bill Bromley

j. Carol Oliver

k. Nolwood Chemical Company, Inc.

l. Art McWood

m. Chuck Nolton

n. Michigan Recovery System, Inc.

o. Chemical Recovery Systems of Michigan

RESPONSE: See General Objections Nos. 3,4 & 7. Subject to and without waiving its objections, Respondent states that it has no knowledge of any such arrangements except as allegedly evidenced by the information provided by USEPA and as set forth below:

TDCC's wholly owned subsidiary, Union Carbide Corporation (UCC), located records of sales to Nolwood Chemical Company during the time period 1974-'81, however, none of the sales were to any Nolwood Chemical within the State of Ohio.

DowAgrosciences (DAS), another wholly owned TDCC subsidary, is presently doing business with Michigan Recovery Systems, and PVS Nolwood, a division of Nolwood Chemical Company. DAS purchases caustic soda, ferric chloride and sulfuric acid from PCS Nolwood. DAS contracts for non-hazardous waste removal services from Michigan Recovery Systems, Inc., located in Romulus, MI. DAS also has contracts on a limited basis with Environmental Quality Company, which owns Michigan Recovery Systems, for waste disposal.

8. Set forth the dates during which the Respondent engaged in any of the following activities:

a. Generation of hazardous materials which were sent to the CRS Site;

b. Transportation of any material to the CRS Site.

RESPONSE: See General Objections Nos 3,4,6 & 7. Respondent further objects to this question to the extent it presumes Respondent engaged in either activity. Subject to its objections, Respondent states that it has no evidence that Respondent generated hazardous materials that were sent to the CRS Site or *transported any materials to the CRS Site with the exception of the documents provided by U.S. EPA.*

9. Identify all persons, including yourself, who may have arranged for disposal or treatment, or arranged for transportation for disposal or treatment, of materials, including, but not limited to, hazardous substances, at the CRS Site. In addition, identify the following:

   a. The persons with whom you or such other persons made such arrangements;

   b. Every date on which such arrangements took place;

   c. For each transaction, the nature of the material or hazardous substance, including the chemical content, characteristics, physical state (e.g., solid, liquid), and the process for which the substance was used or the process which generated the substance;

   d. The owner of the materials or hazardous substances so accepted or transported;

   e. The quantity of the materials or hazardous substances involved (weight or volume) in each transaction and the total quantity for all transactions;

   f. All tests, analyses, and analytical results concerning the materials;

   g. The person(s) who selected the CRS Site as the place to which the materials or hazardous substances were to be transported;

   h. The amount paid in connection with each transaction, the method of payment, and the identity of the person from whom payment was received;

   i. Where the person identified in g., above, intended to have such hazardous substances or materials transported and all evidence of this intent;

   j. Whether the materials or hazardous substances involved in each transaction were transshipped through, or where stored or held at, any intermediate site prior to final treatment or disposal;

   k. What was actually done to the materials or hazardous substances once they were brought to the CRS Site;

   l. The final disposition of each of the materials or hazardous substances involved in such transactions;

m. The measures taken by you to determine the actual methods, means, and site of treatment or disposal of the material and hazardous substance involved in each transaction;

n. The type and number of containers in which the materials or hazardous substances were contained when they were accepted for transport, and subsequently until they were deposited at the CRS Site, and all markings on such containers;

o. The price paid for (i) transport, (ii) disposal, or (iii) both of each material and hazardous substance;

p. All documents containing information responsive to a – o above, or in lieu of identification of all relevant documents, provide copies of all such documents;

q. All persons with knowledge, information, documents responsive to a – p above.

RESPONSE: See General Objections Nos.3,4,6 & 7. Respondent further objects to this question to the extent it presumes Respondent arranged for disposal of hazardous waste at the site. Subject to its objections, Respondent states that it has no evidence that Respondent arranged for materials to be disposed of at, treated at or transported to the CRS Site with the exception of the documents provided by U.S. EPA. In review of the materials sent by USEPA, Respondent notes the following related entities:

Dowell was a division of the Dow Chemical Company during the relevant time period.

Jamestown Coatings Group was a division of Essex Specialty Products, Inc., a subsidiary of the Essex Chemical Corporation during the relevant time period. In 1988, TDCC purchased Essex Chemical Corporation. In 1989, through a stock transaction, Essex Specialty Products, Inc. became a direct subsidiary of TDCC. In May of 1989, the Jamestown Coatings Group was sold to Lilly Jamestown, Inc.

10. Identify all liability insurance policies held by Respondent from 1960 to the present. In identifying such policies, state the name and address of each insurer and of the insured, the amount of coverage under each policy, the commencement and expiration dates for each policy, whether or not the policy contains a "pollution exclusion" clause, and whether the policy covers or excludes sudden, non-sudden, or both types of accidents. In lieu of providing this information, you may submit complete copies of all relevant insurance policies.

RESPONSE: See General Objections Nos. 1,3, and 4. Respondent further objects that this request is unduly burdensome and not reasonably relevant. Subject to and without waiving its objections, Respondent states that, without more *information about its alleged connection to the site, it is impossible to determine if Respondent has any existing coverage. Any relevant insurance information will be made available upon request.*

11. Provide copies of all income tax returns, including all supporting schedules, sent to the Federal Internal Revenue Service in the last five years.

    RESPONSE: See General Objections Nos. 1,3,5 and 6. Respondent further objects to this request as unduly burdensome and not reasonably relevant. TDCC's consolidated annual tax returns exceed 5000 pages each. TDCC will provide further information to USEPA to the extent USEPA can demonstrate relevance.

12. If Respondent is a Corporation, respond to the following requests:

    a. Provide a copy of the Articles of Incorporation and Bylaws of the Respondent.

    b. Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission.

    c. Identify all of Respondent's current assets and liabilities and the person(s) who currently own(s) or is (are) responsible for such assets and liabilities.

    d. Identify the Parent Corporation and all Subsidiaries of the Respondent.

    RESPONSE: See General Objections Nos. 1,3,5 & 6. Respondent further objects to the question to the extent it seeks iformation not reasonably relevant to the CRS Site. Subject to its objections, Respondent states as follows:

    a. Copies of the bylaws and articles of TDCC are attached. The Bylaws and articles of ESP will be forwarded separately.

    b. TDCC and its subsidiaries file a consolidated annual statement with the SEC. Attached is the annual statement for 2000. Further documentation would be onerous, voluminous and not likely to provide relevant information. To the extent USEPA can identify particular information it requires and can demonstrate a need for such information, Respondent will attempt to provide it.

    c. See answer to b) above. Respondent further objects to this request as onerous to the extent it seeks to require a separate listing of assets and liabilities.

d. The Dow Chemical Company owns 100% of Essex Specialty Products. See the enclosed attachment from TDCC's 2000 Annual Statement for a complete list of TDCC subsidiaries as of January, 2001.

13. If Respondent is a Partnership, respond to the following requests:

a. Provide copies of the Partnership Agreement;

b. Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission;

c. Identify all of Respondent's current assets and liabilities and the person(s) who currently own(s) or is (are) responsible for such assets and liabilities.

d. Identify all subsidiaries of the Respondent.

Subject to and without waiving its objections, Respondent states that it is not a partnership.

14. If Respondent is a Trust, respond to the following requests:

a. Provide all relevant agreements and documents to support this claim.

b. Provide Respondent's financial statements for the past five fiscal years, including, but not limited to, those filed with the Internal Revenue Service and Securities and Exchange Commission.

c. Identify all of Respondent's current assets and liabilities and the person(s) who currently own(s) or is (are) responsible for such assets and liabilities.

Subject to and without waiving its objections, Respondent states that it is not a trust.

-*-

Tracy Goad Walter
Counsel
The Dow Chemical Company
2030 Dow Center
Midland, Michigan 48674

On behalf of Essex Specialty Products, Inc.,
Its wholly owned subsidiary

Source: All Sources > Area of Law - By Topic > Environment > Environmental Site Records > Federal > **Facility Index System (FINDS)**
Terms: **"dowell" "youngstown"** (Edit Search)

FINDS, October, 1995

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Facility Index System (FINDS)

EPA-ID: OHD055821011

VISTA-NO: 000126687

DOWELL SCHLUMBERGER INC
428 THATCHER DR
YOUNGSTOWN, OH 44509

LAST-UPDATE: September 16, 1993

EPA-REGION: 05

COUNTY: MAHONING

FEDERAL-FACILITY: Unknown

SIC-CODES:
1389

INDIAN-LAND: Unknown

AGENCY-ID:

UNKNOWN AGENCY ID NUMBER:

HWDMS AGENCY ID NUMBER: OHD055821011

CERCLIS AGENCY ID NUMBER: OHD055821011

055821011

Source: All Sources > Area of Law - By Topic > Environment > Environmental Site Records > Federal > **Facility Index System (FINDS)**
Terms: **"dowell" "youngstown"** (Edit Search)
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Date/Time: Monday, August 27, 2001 - 2:44 PM EDT

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Terms: jamestown (Edit Search)
Focus: **lilly**

FINDS, February, 1999

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Facility Index System (FINDS)

EPA-ID: NYD055050157

VISTA-NO: 317475057

LILLY JAMESTOWN INC
125 BLACKSTONE AVE
JAMESTOWN, NY 14701

EPA-REGION: 02

COUNTY: CHAUTAUQUA

FEDERAL-FACILITY: No

SIC-CODES:
2851
2851
2851
2851

INDIAN-LAND: No

AGENCY-ID:

HWDMS AGENCY ID NUMBER: NYD055050157

AFS/AIRS AGENCY ID NUMBER: NY0762180

UNKNOWN AGENCY ID NUMBER: NYD055050157

TRIS AGENCY ID NUMBER: 14701SSXSP125BL

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Terms: jamestown (Edit Search)
Focus: **lilly**
View: Full
Date/Time: Friday, August 31, 2001 - 11:41 AM EDT

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RESTATED CERTIFICATE OF INCORPORATION
OF
THE DOW CHEMICAL COMPANY

Originally incorporated on June 11, 1947, as The Dow Chemical Company (Delaware)

Article I
NAME

The name of the corporation (which is hereinafter referred to as the "Company") is The Dow Chemical Company.

Article II
ADDRESS OF REGISTERED OFFICE; NAME OF REGISTERED AGENT

The address of the registered office of the Company in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

Article III
PURPOSE AND POWERS

The purpose of the Company is to engage in any lawful act or activity for which a corporation may now or hereafter be organized under the General Corporation Law of Delaware. It shall have all powers that may now or hereafter be lawful for a corporation to exercise under the General Corporation Law of Delaware.

Article IV
CAPITAL STOCK

Section 4.1 **Total Number of Shares of Stock**. The total number of shares of stock of all classes that the Company shall have authority to issue is one billion seven hundred fifty million shares. The authorized capital stock is divided into two hundred fifty million shares of Preferred Stock of the par value of one dollar each (hereinafter the "Preferred Stock") and one billion five hundred million shares of Common Stock of the par value of two dollars and fifty cents each (hereinafter the "Common Stock").

Section 4.2 **Preferred Stock**.

(a) The two hundred fifty million shares of Preferred Stock of the Company may be issued from time to time in one or more series, the shares of each series to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein or in the resolution or resolutions providing for the issue of such series, adopted by the Board of Directors as hereinafter provided.

(b) Authority is hereby expressly granted to the Board of Directors of the Company, subject to the provisions of this Article IV and to the limitations prescribed by the General Corporation Law of Delaware, to authorize the issue of one or more series of Preferred Stock and with respect to each such series to fix by resolution or resolutions providing for the issue of such series the voting powers, full or limited, if any, of the shares of such series and the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the determination or fixing of the following:

(i) The designation of such series;

(ii) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or any other series of any class of stock of the Company, and whether such dividends shall be cumulative or non-cumulative;

(iii) Whether the shares of such series shall be subject to redemption by the Company and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(iv) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series;

(v) Whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes of any stock or any other series of any class of stock of the Company, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

(vi) The extent, if any, to which the holders of shares of such series shall be entitled to vote with respect to the election of directors or otherwise;

(vii) The restrictions, if any, on the issue or reissue of any additional Preferred Stock; and

(viii) The rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, the Company.

Section 4.3 **Common Stock**. The one billion five hundred million shares of Common Stock of the Company shall be of one and the same class. Subject to all of the rights of the Preferred Stock provided for by resolution or resolutions of the Board of Directors pursuant to this Article IV or by the General Corporation Law of Delaware, the holders of Common Stock shall have full voting powers on all matters requiring stockholder action, each share of such Common Stock being entitled to one vote and having equal rights of participation in the dividends and assets of the Company.

Article V
BOARD OF DIRECTORS

Section 5.1 **Power of the Board of Directors**. The business and affairs of the Company shall be managed by or under the direction of its Board of Directors. In furtherance, and not in limitation, of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to:

(a) Amend, alter, change, adopt or repeal the Bylaws of the Company; **provided**, however, that no Bylaws hereafter adopted shall invalidate any prior act of the directors that would have been valid if such Bylaws had not been adopted;

(b) Determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the business and affairs of the Company, including the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Company, and to determine the time and place of, and the notice requirements for Board meetings, as well as quorum and voting requirements for, and the manner of taking Board action; and

(c) Exercise all such powers and do all such acts as may be exercised by the Company, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and any Bylaws of the Company.

Section 5.2 **Number of Directors**. The number of directors constituting the entire Board of Directors shall be not less than six nor more than twenty-one, as authorized from time to time exclusively by a vote of a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of directors that the Company would have if there were no vacancies.

Section 5.3 **Classified Board**. At the 1986 Annual Meeting of Stockholders, the directors shall be divided into three classes, with respect to the time that they severally hold office, as nearly equal in number as possible, with the initial term of office of the first class of directors to expire at the 1987 Annual Meeting of Stockholders, the initial term of office of the second class of directors to expire at the 1988 Annual Meeting of Stockholders and the initial term of office of the third class of directors to expire at the 1989 Annual Meeting of Stockholders. Commencing with the 1987 Annual Meeting of Stockholders, directors elected to succeed those directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election, and upon the election and qualification of their successors. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one.

Section 5.4 **Vacancies**. Any vacancies in the Board of Directors for any reason and any newly created directorships resulting by reason of any increase in the number of directors may be filled only by the Board of Directors, acting by a majority of the remaining directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors have been chosen and until their successors are elected and qualified.

Section 5.5 **Removal of Directors**. Any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class.

Article VI
INDEMNIFICATION; LIMITATION OF LIABILITY

Section 6.1 **Indemnification**. Directors, officers, employees and agents of the Company may be indemnified by the Company to such extent as is permitted by the laws of the State of Delaware and as the Bylaws may from time to time provide.

Section 6.2 **Limitation of Liability of Directors**. A Director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a Director to the fullest extent permitted by the General Corporation Law of Delaware as the same now exists or hereafter may be amended.

Article VII
BUSINESS COMBINATION TRANSACTIONS

Section 7.1 **Higher Vote Required for Certain Business Combinations**. In addition to any affirmative vote required by the General Corporation Law of Delaware and except as otherwise expressly provided in Section 7.3 of this Article VII, any Business Combination Transaction (as defined in Section 7.2(c) below) shall require the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

Section 7.2 **Certain Definitions**. For purposes of this Article VII:

(a) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on December 31, 1985.

(b) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on December 31, 1985.

(a) "Business Combination Transaction" shall mean:

(i) Any merger or consolidation of the Company or any Subsidiary with (A) an Interested Stockholder or (B) any other Person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Company or any Subsidiary constituting not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iii) The issuance or transfer by the Company or any Subsidiary (in one transaction or a series of transactions) of any securities of the Company or any Subsidiary to, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) constituting not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iv) The adoption of any plan or proposal for the liquidation or dissolution of the Company, or any spin-off or split-up of any kind of the Company or any Subsidiary, proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) Any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (A) any class of equity securities of the Company or any Subsidiary or (B) any class of securities of the Company or any Subsidiary convertible into equity securities of the Company or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates.

(c) "Continuing Director" means (i) any member of the Board of Directors of the Company who (A) is neither the Interested Stockholder involved in the Business Combination Transaction as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (B) was a member of the Board of Directors of the Company prior to the time that such Interested Stockholder became an Interested Stockholder, and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Company.

(e) "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar interdealer quotation system then in use, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(f) "Interested Stockholder" shall mean any Person (other than the Company or any Subsidiary, any employee benefit plan maintained by the Company or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) Is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock of the Company; or

(ii) Is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of 10% or more of the voting power of the outstanding Voting Stock of the Company; or

(iii) Is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Company of which an Interested Stockholder was the Beneficial Owner, directly or indirectly, at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Company shall include unissued shares of Voting Stock of the Company of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Company which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

(g) A "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person pursuant to Section 14(d)(2) of the Exchange Act.

(h) "Subsidiary" means any corporation of which the Company owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Company is the Beneficial Owner but, except for the purposes of Section 7.2(f), shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Company.

(i) "Voting Stock" shall mean outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of directors.

Section 7.3 **When Higher Vote Is Not Required**. The provisions of Section 7.1 of this Article VII shall not be applicable to any particular Business Combination Transaction, and such Business Combination Transaction shall require only such affirmative vote of the stockholders, if any, as is required by the General Corporation Law of Delaware, if the conditions specified in either of the following paragraphs (a) and (b) are met:

(a) Approval by Continuing Directors. The Business Combination Transaction shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

(b) Form of Consideration, Price and Procedure Requirements. All of the following conditions shall have been met:

(i) With respect to each share of each class of outstanding Voting Stock of the Company (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the

Business Combination Transaction (the "Consummation Date"), cash and consideration, in the form specified in Section 7.3 (b) (ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(A) The highest per share price (including brokerage commissions, transfer taxes and soliciting dealer's fees) paid by the Interested Stockholder to which the Business Combination Transaction relates, or by any Affiliate or Associate of such Interested Stockholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination Transaction (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(B) The Fair Market Value per share of such class of Voting Stock of the Company on the Announcement Date; and

(C) The highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Company are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company.

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Company (including Common Stock) as described in Section 7.3(b)(i) hereof shall be in cash or, if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted, in whole or in part, of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Company has been made in varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date: (A) there shall have been no failure to declare and pay at the regular date therefor any full dividends (whether or not cumulative) on the outstanding Preferred Stock of the Company, if any, except as approved by the affirmative vote of a majority of the Continuing Directors; (B) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Company (except as necessary to reflect any subdivision of the Common Stock), except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (C) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Company except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(iv) After such Interested Stockholder has become an Interested Stockholder, neither such Interested Stockholder nor any Affiliate or Associate thereof shall have received the benefit, directly or indirectly (except proportionately as a stockholder of the Company), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Company.

(v) A proxy or information statement describing the proposed Business Combination Transaction and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Company at least 30 days prior to the Consummation Date (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

Section 7.4 **Powers of Continuing Directors**. A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article VII, including, without limitation, (a) whether a Person is an Interested Stockholder, (b) the number of shares of Voting Stock of the Company beneficially owned by any Person, (c) whether a Person is an Affiliate or Associate of another, (d) whether the requirements of Section 7.3 (b) have been met with respect to any Business Combination Transaction, and (e) whether the assets which are the subject of any Business Combination Transaction have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination Transaction constitutes not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared. The good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article VII.

Section 7.5 **No Effect on Fiduciary Obligations.**

(a) Nothing contained in this Article VII shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

(b) The fact that any Business Combination Transaction complies with the provisions of Section 7.3 of this Article VII shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination Transaction or recommend its adoption or approval to the stockholders of the Company, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination Transactions.

Article VIII
MEETINGS OF STOCKHOLDERS

Any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of stockholders of the Company and may not be effected by any consent in writing by such stockholders. Except as otherwise provided for in the Bylaws, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors, either upon motion of a director or upon written request by the holders of at least 50% of the voting power of all the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class.

Article IX
AMENDMENT OF BYLAWS

In addition to any requirements of the General Corporation Law of Delaware (and notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware), the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders of the Company to amend, alter, change, adopt or repeal any Bylaws of the Company, unless such amendment, alteration, change, adoption or repeal of the Bylaws is determined to be advisable by the Board of Directors by the affirmative vote of (a) two-thirds of the entire Board of Directors and (b) a majority of the Continuing Directors (as defined in Article VII).

Article X
AMENDMENT OF CERTIFICATE OF INCORPORATION

The Company hereby reserves the right to amend, alter, change or repeal any provision contained in this Certificate of incorporation in the manner now or hereafter prescribed by the General Corporation Law of Delaware and all rights conferred on stockholders therein granted are subject to this reservation; provided, however, that, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provision or provisions inconsistent with, any provision of Article IV, V, VI, VII, VIII, IX or X hereof, unless such amendment, alteration, change, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of (a) two-thirds of the entire Board of Directors and (b) a majority of the Continuing Directors (as defined in Article VII).

IN WITNESS WHEREOF, this Restated Certificate of Incorporation which only restates and integrates and does not further amend the provisions of the Restated Certificate of Incorporation of this Corporation as heretofore amended or supplemented, there being no discrepancies between those provisions and the provisions of this Restated Certificate of Incorporation, and it having been duly adopted by the Corporation's Board of Directors in accordance with Section 245 of the Delaware General Corporation Law has been executed by its duly authorized officer this 31st day of May, 2000.

THE DOW CHEMICAL COMPANY

By:______________________________
John Scriven
Vice President
General Counsel and Secretary

Attest:

By:______________________________
Tina S. Van Dam
Assistant Secretary

BYLAWS

of

THE DOW CHEMICAL COMPANY

As of July 12, 2001

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THE DOW CHEMICAL COMPANY
BYLAWS

(As re-adopted in full on February 11, 1999, effective February 10, 1999; and as amended February 8, 2001, effective March 1, 2001; and July 12, 2001.)

Section I
CAPITAL STOCK

Section 1.1. **Certificates.** Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company by the Chairman of the Board of Directors or the President or an Executive Vice President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 1.2. **Record Ownership.** The certificates of each class or series of a class of stock shall be numbered consecutively. A record of the name and address of the holder of each certificate, the number of shares represented thereby and the date of issue thereof shall be made on the Company's books. The Company shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as required by the laws of the State of Delaware.

Section 1.3. **Transfer of Record Ownership.** Transfers of stock shall be made on the books of the Company only by direction of the person named in the certificate or such person's attorney, lawfully constituted in writing, and only upon the surrender of the certificate therefor and a written assignment of the shares evidenced thereby, which certificate shall be canceled before the new certificate is issued.

Section 1.4. **Lost Certificates.** Any person claiming a stock certificate in lieu of one lost, stolen or destroyed shall give the Company an affidavit as to such person's ownership of the certificate and of the facts which go to prove its loss, theft or destruction. Such person shall also, if required by policies adopted by the Board of Directors, give the Company a bond, in such form as may be approved by the General Counsel or his or her staff, sufficient to indemnify the Company against any claim that may be made against it on account of the alleged loss of the certificate or the issuance of a new certificate.

Section 1.5. **Transfer Agents; Registrars; Rules Respecting Certificates.** The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars. The Board of Directors may make such further rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates of the Company.

Section 1.6. **Record Date.** The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, payment of dividend or other distribution, allotment of rights or change, conversion or exchange of capital stock or for the purpose of any other lawful action, as the record date for determination of the stockholders entitled to notice of and to vote at any such meeting and any adjournment thereof, or to receive any such dividend or other distribution or allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to participate in any such other lawful action, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of and to vote at such meeting and any adjournment thereof, or to receive such dividend or other distribution or allotment of rights, or to exercise such rights, or to participate in any such other lawful action, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as aforesaid.

Section II
MEETINGS OF STOCKHOLDERS

Section 2.1. **Annual.** The annual meeting of stockholders for the election of Directors and the transaction of such other proper business shall be held during the month of May each year at a time and place, within or without Delaware, as determined by the Board of Directors.

Section 2.2. **Special.** Special meetings of stockholders for any purpose or purposes may be called only by the Board of Directors, pursuant to a resolution adopted by a majority of the entire Board of Directors, either upon motion of a Director or upon written request by the holders of at least fifty percent of the voting power of all the shares of capital stock of the Company then outstanding and entitled to vote generally in the election of Directors. Any such request by stockholders shall be delivered to, or mailed and received by, the Secretary of the Company at the Company's principal executive offices, shall set forth the purpose or purposes of the meeting, and shall be in proper form. To be proper form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder(s) propose(s) to bring before the meeting:

(a) The name and record address of each such stockholder;

(b) The class or series and number of shares of capital stock of the Company that are owned beneficially or of record by each such stockholder;

(c) A brief description of each proposed item of business desired to be brought before the meeting, including the text of any proposed amendment to the Certificate of Incorporation or these Bylaws;

(d) A description of all arrangements or understandings between each such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interests of such stockholder in such business; and

(e) A representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

At any such special meeting, only such business may be transacted as is related to the purpose or purposes set forth in the notice of meeting. Special meetings may be held at any place, within or without Delaware.

Section 2.3. **Notice.** Notice (either written or as otherwise permitted by the General Corporation Law of Delaware) of each meeting of stockholders, stating the time, place and purpose thereof, shall be distributed (either by the U.S. Postal Service or as otherwise permitted by the General Corporation Law of Delaware) by the Secretary or an Assistant Secretary not less than ten days nor more than sixty days before such meeting to every stockholder entitled to vote thereat. (As amended July 12, 2001.)

Section 2.4. **List of Stockholders.** A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to the examination of any stockholder, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, for at least ten days before the meeting and at the place of the meeting during the whole time of the meeting.

Section 2.5. **Quorum.** The holders of at least fifty percent of the issued and outstanding stock of the Company entitled to vote with respect to any one of the purposes for which the meeting is called, present in person or represented by proxy, shall constitute a quorum, except as otherwise required by the General Corporation Law of Delaware. In the event of a lack of quorum, the chairman of the meeting or a majority in interest of the stockholders present in person or represented by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be obtained. At any such adjourned meeting at which there is a quorum, any business may be transacted that might have been transacted at the meeting originally called.

Section 2.6. **Organization.** The Chairman of the Board, or, in the absence of the Chairman of the Board, the President, or, in the absence of both, any Executive Vice President or Vice President, shall preside at meetings of stockholders as chairman of the meeting. The Secretary of the Company shall act as secretary, but in the absence of the Secretary, the chairman of the meeting may appoint a secretary. Rules governing the procedures and conduct of meetings of stockholders shall be determined by the chairman of the meeting.

Section 2.7. **Voting.** Subject to all of the rights of the Preferred Stock provided for by resolution or resolutions of the Board of Directors pursuant to Article IV of the Certificate of Incorporation or by the General Corporation Law of Delaware, each stockholder shall be entitled to one vote, in person or by proxy (either written or as otherwise permitted by the General Corporation Law of Delaware), for each voting share held of record by such stockholder. The votes for the election of Directors and, upon the demand of any stockholder the vote upon any matter before the meeting, shall be by written ballot. Except as otherwise required by the General Corporation Law of Delaware or as specifically provided for in the Certificate of Incorporation or these Bylaws, in any question or matter brought before any meeting of stockholders (other than the election of Directors), the affirmative vote of the holders of voting shares present in person or by proxy representing a majority of the votes actually cast on any such question or matter shall be the act of the stockholders. Directors shall be elected by a plurality of the votes of the voting shares present in person or represented by proxy at the meeting and entitled to vote and actually cast on the election of Directors.

Section 2.8. **Inspectors of Election.** In advance of any meeting of stockholders, the Board of Directors or the chairman of the meeting shall appoint one or more inspectors to act at the meeting and make a written report thereof. The chairman of the meeting may designate one or more persons as alternate inspectors to replace any inspector who fails or is unable to act. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector(s) shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector(s), and certify the inspectors' determination of the number of shares represented at the meeting and the count of all votes and ballots. The inspector(s) may appoint or retain other persons or entities to assist the inspector(s) in the performance of the duties of the inspector(s).

Section 2.9. **Notification of Annual Meeting Business.** Any stockholder may bring business before an annual meeting only if:

(a) Such stockholder is a stockholder of record on the date of giving notice as provided for in this Section 2.9 and on the record date for the determination of stockholders entitled to vote at such annual meeting;

(b) Such business is properly before the meeting pursuant to the laws of the State of Delaware; and

(c) Such stockholder complies with the notice procedures set forth in this Section 2.9. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely written notice thereof in proper form to the Secretary of the Company. To be timely, a stockholder's notice to the Secretary must be delivered to or distributed and received at the principal executive offices of the Company not less than 60 days nor more than 120 days prior to the anniversary date on which the Company first distributed its proxy materials for the prior year's annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after the anniversary of the prior year's annual meeting, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was distributed or public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall the public disclosure of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. For purposes of Sections 2.9 and 3.10 of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or any document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934. To be in proper form, a stockholder's notice to the Secretary must comply with all the same requirements that apply to special meetings of stockholders as set forth in Section 2.2 of these Bylaws. (As amended July 12, 2001.)

No business shall be conducted at an annual meeting of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 2.9. If the person presiding at an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, he or she shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section III
BOARD OF DIRECTORS

Section 3.1. **Number and Qualifications.** The business and affairs of the Company shall be managed by or under the direction of its Board of Directors. The number of Directors constituting the entire Board of Directors shall be not less than six nor more than twenty-one, as authorized from time to time exclusively by a vote of a majority of the entire Board of Directors. As used in these Bylaws, the term "entire Board of Directors" means the total authorized number of Directors that the Company would have if there were no vacancies. Each Director shall at all times be a holder of Common Stock of the Company.

Section 3.2. **Resignation.** A Director may resign at any time by giving written notice to the Chairman of the Board, to the President or the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 3.3. **Regular Meetings.** Regular meetings of the Board of Directors may be held without further notice at such time and place as shall from time to time be determined by the Board of Directors. A meeting of the Board of Directors for the election of officers and the transaction of such other business as may come before it may be held without notice immediately following the annual meeting of stockholders.

Section 3.4. **Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or at the request in writing of one-third of the Directors then in office.

Section 3.5. **Notice of Special Meetings.** Notice of the time and place of each special meeting shall be mailed to each Director at least two days before the meeting or telegraphed or telecopied to such Director at least one day before the meeting. The notice need not state the purposes of the special meeting.

Section 3.6. **Place of Meetings.** The Directors may hold their meetings and have an office or offices outside of Delaware.

Section 3.7 **Quorum.** A majority of the total number of Directors then holding office shall constitute a quorum. In the event of lack of a quorum, a majority of the Directors present may adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be obtained.

Section 3.8. **Organization.** The Chairman of the Board, or, in the absence of the Chairman of the Board, the President, or, in the absence of both, a member of the Board selected by the members present, shall preside at meetings of the Board. The Secretary or an Assistant Secretary of the Company shall act as secretary, but in the absence of the Secretary or an Assistant Secretary, the presiding officer may appoint a secretary.

Section 3.9. **Compensation of Directors.** Directors shall receive such compensation for their services as the Compensation Committee may determine pursuant to Section 4.4(a) of these Bylaws, or as the Board of Directors may determine. Any Director may serve the Company in any other capacity and receive compensation therefor.

Section 3.10. **Notification of Nominations**. Nominations for the election of Directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of Directors. Any stockholder entitled to vote for the election of Directors at a meeting may nominate persons for election as Directors only if such stockholder complies with all the same requirements that apply to business to be brought before an annual meeting of stockholders as set forth in Section 2.9, and with respect to an election to be held at an annual meeting of stockholders within the time limits specified in such Section, but with respect to an election to be held at a special meeting of stockholders for election of Directors, by the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. In addition to the information required by Section 2.9, the required notice shall include:

(a) A description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder;

(b) Such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and

(c) The consent of each nominee to serve as a Director of the Company if elected.

The person presiding at any meeting of stockholders may refuse to acknowledge the nomination of any person not made in full compliance with the foregoing procedure.

Section IV
COMMITTEES OF THE BOARD

Section 4.1. **Creation and Organization.** The standing committees of the Board of Directors shall be an Executive Committee; an Audit Committee; a Compensation Committee; a Committee on Directors; an Environment, Health, Safety and Public Policy Committee; and a Finance Committee, having the respective duties assigned to each in this Section IV and any other duties assigned to such committee by resolution passed by a majority of the entire Board of Directors from time to time. Each such standing committee shall consist of one or more Directors and such other *ex officio* members as the Board of Directors shall from time to time determine. The chairman of each standing committee shall be one of such committee's members who shall be designated as that committee's chairman by a majority of the entire Board of Directors. Members of each standing committee shall be elected by a majority of the entire Board of Directors. Vacancies in any standing committee shall be filled by a majority vote of the entire Board of Directors. The Board of Directors may appoint management employees of the Company or its subsidiaries to be *ex officio* members of any standing committee except the Executive Committee. *Ex officio* members of standing committees shall be entitled to be present at all meetings of their respective committees and to participate in committee discussions, but shall not be entitled to vote or be counted for quorum purposes. Each standing committee shall fix its own rules of procedure and shall meet where and as provided by such rules, but the presence of a majority of its members shall be necessary to constitute a quorum. The Board of Directors may from time to time appoint such special committees with such powers and such members as it may designate in a resolution or resolutions adopted by a majority of the entire Board of Directors.

Section 4.2. **Executive Committee.** During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the business and affairs of the Company to the fullest extent allowed by the General Corporation Law of Delaware, including the power and authority:

(a) To authorize the issuance of stock;

(b) To the extent authorized in a resolution or resolutions providing for the issuance of shares of Preferred Stock adopted by the Board of Directors, to fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or any other series of any class of stock of the Company, to fix the number of shares of any series of Preferred Stock or to authorize the increase or decrease of the shares of any series of Preferred Stock;

(c) To declare dividends on stock; and

(d) To adopt a certificate of ownership and merger in accordance with the General Corporation Law of Delaware.

The Executive Committee shall consist of the officer who serves as the chief executive officer pursuant to Section 5.17 and not fewer than three other Directors. The Executive Committee shall keep minutes of its meetings.

Section 4.3. **Audit Committee.** The Audit Committee shall:

(a) Prior to each annual meeting of stockholders, submit a recommendation in writing to the Board of Directors for the selection of independent auditors to be appointed by the Board of Directors in advance of the annual meeting of stockholders and to be submitted for ratification or rejection at such meeting;

(b) Annually consult with the independent auditors with regard to the proposed plan of audit and from time to time consult privately with them and also with the Corporate Auditor and the Controller with regard to the adequacy of internal controls; and

(c) Upon completion of the report of audit by the independent auditors and before the date of the annual meeting of stockholders, (i) review the financial statements of the Company, and (ii) meet with the independent auditors and review with them the results of their audit and any recommendations made to the management.

Section 4.4. **Compensation Committee.** The Compensation Committee shall consist of two or more members, all of whom shall be "non-employee Directors" as defined in Rule 16b-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, or any future rule of the Securities and Exchange Commission with respect to the same subject matter, and who also comply with the rules for eligibility to serve as members of the award and option committees hereinafter described. The Compensation Committee may, with the consent of the Board of Directors, delegate any portion of its authority to a subcommittee consisting of two or more of its members.

(a) The Compensation Committee may establish rates of salary, bonuses, retirement and other compensation for all Directors and executive officers of the Company for purposes of the Securities Exchange Act of 1934, as amended, or the regulations of the Securities and Exchange Commission, and for such other personnel as the Board of Directors may from time to time delegate to it; provided, however, that no member of the Compensation Committee may vote upon his or her own rate of salary or his or her own bonus, retirement or other compensation except for such items as are applicable to a group that also includes personnel who are not Directors or officers, or where his or her participation in such items is determined by formula; and

(b) The Compensation Committee shall exercise all functions of the award and option committees under the Company's incentive and option plans.

Section 4.5. **Committee on Directors.** The Committee on Directors shall:

(a) Recommend to the Board the individuals to constitute the nominees of the Board of Directors for election at the next annual meeting of stockholders and who will be named as such nominees in the proxy statement used for solicitation of proxies by the Board;

(b) Recommend and nominate an individual for Director to fill the unexpired term of any vacancy existing in the Board of Directors or created by an increase in the size of the Board;

(c) Conduct continuing studies of the size and composition of the Board of Directors and from time to time make recommendations to the Board for enlargement or reduction in size of the Board; and

(d) Recommend and nominate individuals for election as officers and members of Board committees.

Section 4.6. **Environment, Health and Safety Committee**. The Environment, Health and Safety Committee shall have the authority and responsibility to assess all aspects of the Company's environment, health and safety policies and performance and to make recommendations to the Board of Directors and the management of the Company with regard to promoting and maintaining superior standards of performance. (As amended February 8, 2001, effective March 1, 2001.)

Section 4.7. **Finance Committee.** The Finance Committee shall have the responsibility of periodically reviewing the financial affairs of the Company and making recommendations to the Board of Directors concerning the financial needs of the Company and the methods of providing funds for such needs. The Finance Committee shall have the authority and responsibility for each of the following, all or any of which may be delegated to a committee of management employees of the Company that is appointed by and reports at least three times a year to the Finance Committee:

(a) Establish investment policy for the Dow Employees' Pension Plan and any other pension plan or pension fund maintained by the Company for its employees or employees of its subsidiaries ("Plans");

(b) Employ, replace, discharge and supervise, and review the performance of trustees and investment advisers acting pursuant to the Plans;

(c) Enter into, modify, alter, amend and/or revoke any existing and future trust agreement or trust relating to the Plans;

(d) Review and advise upon the investment policy of, and performance of trustees and investment advisers acting pursuant to or on behalf of, any pension plan or pension fund maintained by any directly or indirectly wholly owned subsidiary or subsidiaries of the Company for the benefit of its or their employees or the employees of its or their subsidiaries; and

(e) Perform similar duties with respect to such other pension plans and pension funds, and on behalf of such other entities affiliated with the Company, as the Board of Directors from time to time shall designate.

Section 4.8. **Public Interest Committee**. The Public Interest Committee shall have the authority and the responsibility to assess any and all aspects of the Company's decisions to determine their impact on society. The Committee's focus includes corporate policy management, philanthropic contributions, codes of conduct, and reputation management. The most socially desirable alternatives for accomplishing the commercial objectives of the Company and a program for contributions shall be recommended to the Board of Directors and the management of the Company. Recognizing that positive perceptions of the Company's policies and actions among its several constituencies are extremely valuable assets, the Committee will keep itself informed of these perceptions and will recommend to the Board and management actions directed at continually enhancing the Company's public image. (As amended February 8, 2001, effective March 1, 2001.)

Section 4.9. **Powers Reserved to the Board.** No committee of the Board of Directors shall have the power or authority to:

(a) Approve or adopt, or recommend to stockholders, any action or matter expressly required by the General Corporation Law of Delaware to be submitted to stockholders for approval; or

(b) Adopt, amend, or repeal these Bylaws.

No committee of the Board of Directors shall take any action that is required by these Bylaws, the Certificate of Incorporation or the General Corporation Law of Delaware to be taken by a vote of a specified proportion of the entire Board of Directors. (As amended February 8, 2001, effective March 1, 2001.)

Section V
OFFICERS

Section 5.1. **Designation.** The officers of the Company shall be a Chairman of the Board, a President, one or more Executive Vice Presidents, one or more Vice Presidents, a Treasurer, a Secretary, a Controller, and a General Counsel. The Board of Directors also may elect or appoint, or provide for the appointment of, such other officers, assistant officers (including one or more Assistant Treasurers, one or more Assistant Secretaries and one or more Assistant Controllers) and agents as may from time to time appear necessary or advisable in the conduct of the business and affairs of the Company.

Section 5.2. **Election and Term.** At its first meeting after each annual meeting of stockholders, the Board of Directors shall elect the officers. The term of each officer shall be until the first meeting of the Board of Directors following the next annual meeting of stockholders and until such officer's successor is chosen and qualified.

Section 5.3. **Resignation.** Any officer may resign at any time by giving written notice to the President or the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 5.4. **Removal.** Except where otherwise expressly provided in a contract authorized by the Board of Directors, any officer elected or appointed by the Board of Directors may be removed at any time with or without cause by the affirmative vote of a majority of the entire Board of Directors.

Section 5.5. **Vacancies.** A vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

Section 5.6. **Chairman of the Board.** The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

Section 5.7. **President.** The President shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

Section 5.8. **Executive Vice Presidents.** The Executive Vice Presidents shall assist the President in the management of the business and affairs of the Company and shall perform such other duties as may be assigned by the President or the Board of Directors.

Section 5.9. **Vice Presidents.** Each Vice President shall have such powers and perform such duties as may be assigned by the President or the Board of Directors. The Board of Directors may designate a Financial Vice President and one or more Vice Presidents as Senior Vice Presidents, Group Vice Presidents or Corporate Vice Presidents. (As amended July 12, 2001).

Section 5.10. **Treasurer.** The Treasurer shall have charge of all funds of the Company and shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors.

Section 5.11. **Assistant Treasurers.** Each Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Treasurer or the Board of Directors.

Section 5.12. **Secretary.** The Secretary or an Assistant Secretary shall keep the minutes and give notices of all meetings of stockholders and Directors and of such committees as directed by the Board of Directors. The Secretary shall have charge of such books and papers as the Board of Directors may require. The Secretary or any Assistant Secretary is authorized to certify copies of extracts from minutes and of documents in the Secretary's charge, and anyone may rely on such certified copies to the same effect as if such copies were originals and may rely upon any statement of fact concerning the Company certified by theSecretary or any Assistant Secretary. The Secretary shall perform all acts incident to the office of Secretary, subject to the control of the Board of Directors.

Section 5.13. **Assistant Secretaries.** Each Assistant Secretary shall have such powers and perform such duties as may be assigned by the Secretary or the Board of Directors.

Section 5.14. **Controller.** The Controller shall be in charge of the accounts of the Company. The Controller shall have such other powers and perform such other duties as may be assigned by the Board of Directors and shall submit such reports and records to the Board of Directors as it may request.

Section 5.15. **Assistant Controllers.** Each Assistant Controller shall have such powers and perform such duties as may be assigned by the Controller or the Board of Directors.

Section 5.16. **General Counsel.** The General Counsel shall be in charge of all matters concerning the Company involving litigation or legal counseling. The General Counsel shall have such other powers and perform such other duties as may be assigned by the Board of Directors and shall submit such reports to the Board of Directors as it may request.

Section 5.17. **Designation of an Officer as the Chief Executive Officer.** The Board of Directors shall designate one of the elected officers as the chief executive officer of the Company. The chief executive officer shall be in general and active charge of the business and affairs of the Company.

Section 5.18. **Designation of an Officer as the Chief Operating Officer.** The Board of Directors may designate one of the elected officers the chief operating officer of the Company with such powers and duties as may be assigned by the Board of Directors.

Section 5.19. **Compensation of Officers.** The officers of the Company shall receive such compensation for their services as the Compensation Committee may determine pursuant to Section 4.4(a) of these Bylaws.

Section VI
INDEMNIFICATION

Section 6.1. **Mandatory Indemnification of Directors, Officers and Employees.** The Company shall indemnify, to the full extent permitted by the laws of the State of Delaware, any person who was or is a defendant or is threatened to be made a defendant to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person:

(a) Is or was a Director, officer or employee of the Company; or

(b) Is or was a Director, officer or employee of the Company and is or was serving at the request of the Company as a director, trustee, member, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

Any repeal, amendment or modification of this Section 6.1 shall not affect any rights or obligations then existing between the Company and any then incumbent or former Director, officer or employee with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon such state of facts.

Section 6.2. **Permitted Indemnification of Directors, Officers, Employees and Agents.** The Company may indemnify, to the full extent permitted by the laws of the State of Delaware, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person:

(a) Is or was a Director, officer, employee or agent of the Company; or

(b) Is or was a Director, officer, employee or agent of the Company and is or was serving at the request of the Company as a director, trustee, member, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

Section 6.3. **Judicial Determination of Indemnification.** Any incumbent or former Director, officer or employee may apply to any court of competent jurisdiction in the State of Delaware to order indemnification to the extent mandated under Section 6.1 above. The basis of such order of indemnification by a court shall be a determination by such court that indemnification of the incumbent or former Director, officer or employee is proper in the circumstances. Notice of any application for indemnification pursuant to this Section 6.3 shall be given to the Company promptly upon the filing of such application.

Section 6.4. **Expenses Payable in Advance.** Expenses incurred by any Director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it ultimately shall be determined that the Director or officer is not entitled to be indemnified by the Company as authorized in this Section VI. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 6.5. **Nonexclusivity.** The indemnification and advancement of expenses mandated or permitted by, or granted pursuant to, this Section VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, contract, vote of stockholders or disinterested Directors, or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise both as to action by the person in an official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the persons specified in Sections 6.1 or 6.2 above as defendants shall be made to the fullest extent permitted by the laws of the State of Delaware. The provisions of this Section VI shall not be deemed to preclude the indemnification of any person who is not specified in Sections 6.1 or 6.2 above, but whom the Company has the power or obligation to indemnify under the laws of the State of Delaware or otherwise.

Section 6.6. **Insurance.** The Company may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, trustee, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any liability asserted against and incurred by such person in any such capacity, or arising out of the person's status as such, whether or not the Company would have the power or the obligation to indemnify the Director, officer, employee or agent of the Company against such liability under the provisions of this Section VI.

Section 6.7. **Definitions.** For the purposes of this Section VI references to "the Company" shall include, in addition to the resulting company, any constituent company (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, trustees, members, employees and/or agents, so that any person who is or was a director, officer, trustee, member, employee or agent of such constituent company, or is or was serving at the request of such constituent company as a director, officer, trustee, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section VI with respect to the resulting or surviving company as such person would have with respect to such constituent company if its separate existence had continued. The term "other enterprise" as used in this Section VI shall include employee benefit plans. References to "fines" in this Section VI shall include excise taxes assessed on a person with respect to an employee benefit plan. The phrase "serving at the request of the Company" shall include any service as a Director, officer, employee or agent of the Company that imposes duties on, or involves services by, such Director, officer, employee or agent with respect to any employee benefit plan, its participants or beneficiaries.

Section 6.8. **Survival.** The indemnification and advancement of expenses provided by, or granted pursuant to, this Section VI shall continue as to a person who has ceased to be a Director, officer, employee or agent of the Company and shall inure to the benefit of the heirs, executors and administrators of such person.

Section VII
MISCELLANEOUS

Section 7.1. **Seal.** The corporate seal shall have inscribed upon it the name of the Company, the year "1947" and the words "Corporate Seal" and "Delaware." The Secretary shall be in charge of the seal and may authorize a duplicate seal to be kept and used by any other officer or person.

Section 7.2. **Waiver of Notice.** Whenever any notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 7.3. **Voting of Stock Owned by the Company.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the President, any Executive Vice President, any Vice President or the General Counsel. Any such officer may, in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The Board of Directors may from time to time confer like powers upon any other person or persons.

Section 7.4. **Executive Office.** The principal executive office of the Company shall be located in the City of Midland, County of Midland, State of Michigan, where the books of account and records shall be kept. The Company also may have offices at such other places, both within and without Delaware, as the Board of Directors from time to time shall determine or the business and affairs of the Company may require.

Section VIII
AMENDMENT OF BYLAWS

Section 8.1. The Board of Directors shall have power to amend, alter, change, adopt and repeal the Bylaws of the Company at any regular or special meeting. The stockholders also shall have power to amend, alter, change, adopt and repeal the Bylaws of the Company at any annual or special meeting subject to the requirements of the Certificate of Incorporation.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

FOR THE YEAR ENDED DECEMBER 31, 2000

Commission file number 1-3433

THE DOW CHEMICAL COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**38-1285128**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2030 DOW CENTER, MIDLAND, MICHIGAN 48674
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 517-636-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $2.50 per share	Common Stock registered on the New York, Chicago and Pacific Stock Exchanges
Debentures, 6.85%, final maturity 2013	Debentures registered on the New York Stock Exchange

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

The aggregate market value of voting stock held by nonaffiliates as of February 9, 2001 (based upon the closing price of $32.21 per common share as quoted on the New York Stock Exchange), is approximately $2.871 billion. For purposes of this computation, it is assumed that the shares of voting stock held by Directors, Officers and the Dow Employees' Pension Plan Trust would be deemed to be stock held by affiliates. Nonaffiliated common stock outstanding at February 9, 2001 numbered 891,433,400 shares. Total common stock outstanding at February 9, 2001 numbered 897,973,824.

Documents Incorporated by Reference

Part III: Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2001.

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The Dow Chemical Company

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2000

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PART I

PART I

ITEM 1. BUSINESS

THE COMPANY

The Dow Chemical Company was incorporated in 1947 under Delaware law and is the successor to a Michigan corporation, of the same name, organized in 1897. The Company is engaged in the manufacture and sale of chemicals, plastic materials, agricultural and other specialized products and services. Its principal executive offices are located at 2030 Dow Center, Midland, Michigan 48674, telephone 517-636-1000. Except as otherwise indicated by the context, the terms "Company" or "Dow" as used herein mean The Dow Chemical Company and its consolidated subsidiaries.

BUSINESS AND PRODUCTS

Corporate Profile
Dow is a leading science and technology company that provides innovative chemical, plastic and agricultural products and services to many essential consumer markets. In 2000, Dow had annual sales of $23 billion and employed 41,900 people. The Company serves customers in more than 170 countries and a wide range of markets that are vital to human progress, including food, transportation, health and medicine, personal and home care, and building and construction, among others. The Company has 141 manufacturing sites in 32 countries and supplies more than 2,500 products grouped within the operating segments listed on the following pages. The Corporate Profile is an integral part of Note R to the Financial Statements.

PERFORMANCE PLASTICS
Applications: automotive interiors, exteriors, chassis/powertrain and body engineered systems • building and construction, thermal and acoustic insulation, roofing • communications technology, telecommunication cables, electrical and electronic connectors • computer housings and accessories • footwear • home and office furnishings: appliance insulation, mattresses, carpeting, flooring, furniture padding, office furniture • medical devices • packaging, food and beverage containers, protective packaging • refrigerated transportation • sports and recreation equipment • water treatment

Dow Automotive is a leading supplier of materials, parts, modules and systems for automotive interior, exterior, chassis/powertrain and body engineered systems applications. In addition to its broad product portfolio, Dow Automotive delivers research and development, design expertise, advanced engineering and supply chain management support to customers around the world.

- **Products**: Betabrace reinforcing composites, Betadamp acoustical damping systems, Betafoam NVH and structural foams, Betaguard sealants, Betamate structural adhesives, Betaseal glass bonding systems, Calibre polycarbonate resins, Injection-molded dashmats and underhood barriers, Integral adhesive film, Magnum ABS resins, Polypropylene resins, Pulse engineering resins, Questra crystalline polymers, Retain recycle content resins, Spectrim reaction moldable polymers, Strandfoam polypropylene foam, Vydyne® nylon resins

Engineering Plastics business offers one of the broadest ranges of engineering polymers and compounds of any global plastics supplier. Dow's Engineering Plastics business complements its product portfolio with technical and commercial capabilities to develop solutions that deliver improved economics and performance to its customers.

- **Products**: Amplify engineering resins, Calibre polycarbonate resins, Emerge advanced resins, Fulcrum thermoplastic composite technology, Isoplast engineering thermoplastic polyurethane resins, Magnum ABS resins, Pellethane thermoplastic polyurethane elastomers, Prevail engineering thermoplastic resins, Pulse engineering resins, Questra crystalline polymers, Tyril SAN resins, Vydyne nylon resins

Epoxy Products and Intermediates business manufactures a variety of basic epoxy products, as well as intermediates used by other major epoxy producers. Dow is a leading global producer of basic epoxy products, supported by high-quality raw materials, technical service and production capabilities.

- **Products**: Acetone, Acrylic monomers, Allyl chloride, Bisphenol A, Blox thermoplastic resins, D.E.H. epoxy catalyst resins, D.E.N. epoxy novolac resins, D.E.R. epoxy resins (liquids, solids and solutions), Derakane and Derakane Momentum epoxy vinyl ester resins, Epichlorohydrin, Optim glycerine, Phenol

Fabricated Products business manufactures and markets an extensive line of plastic film and foam products. Fabricated Products sets the competitive standard by creating high-performance solutions in industries ranging from packaging and construction to telecommunications, automotive and medical.

- **Products**: Covelle HF weldable polyolefin film, Dow backing layer film, Envision custom foam laminates, Ethafoam polyethylene foam, Immotus acoustic panels, Instill vacuum insulation core, Integral adhesive film, Lamdex polyolefin foams, Opticite label films, Procite window envelope film, Propel polypropylene foams, Quash sound management foam, Saranex barrier medical film, Styrofoam insulation, Synergy soft touch foam, Tanklite protective insulation, Trenchcoat protective film, Trycite polystyrene film, Trymer polyisocyanurate foam, Zetabon coated metal cable armor

Polyurethanes and Polyurethanes Systems businesses are leading global producers of polyurethane raw materials and systems. Differentiated by their ability to globally supply a high-quality, consistent and complete product range, these businesses emphasize new business developments while facilitating customer success with a global market and technology network.

- **Products**: The Enhancer and Lifespan carpet backings, Great Stuff polyurethane foam sealant, Insta-stik roofing adhesive, Isobind isocyanate binders, Isonate pure and modified MDI products, Papi polymeric MDI, Specflex polyurethane components,Spectrim reaction moldable products, Syntegra polyurethane dispersions, Voracor, Voralast and Voralux polyurethane systems, Voranate TDI and specialty isocyanates, Voranol polyether polyols and copolymers

PERFORMANCE CHEMICALS

Applications: building materials • food processing and ingredients • household products • paints, coatings, inks, adhesives, lubricants • personal care products • pharmaceutical and agricultural products and processing • pulp and paper manufacturing, coated paper and paperboard • textiles and carpet • water purification

Emulsion Polymers business is the world's largest supplier of synthetic latex, and the most globally diverse of the styrene-butadiene latex suppliers. Dow provides protective and decorative coatings for paper and paperboard in publishing, as well as latex for carpet backing and specialty applications.

- **Products**: Acrylic latex, Polystyrene latex, Styrene-acrylate latex, Styrene-butadiene latex, Vinylidene-butadiene latex

Industrial Chemicals business provides products used as functional ingredients or as processing aids in the manufacture of a diverse range of products. Dow's surfactants and biocides (antimicrobials) businesses provide value-added ingredients for household and personal care products.

- **Products**: Diphenyloxide, Dowfax surfactants, Dowicil antimicrobials, Dowtherm synthetic organic fluids, Hamposyl surfactants, Polyethylene glycols, Polypropylene glycols, Syltherm heat transfer fluids, Synalox fluids, Versene chelating agents

Oxide Derivatives business is a leading producer of glycol ethers and amines.

- **Products**: Ethyleneamines; Oxygenated solvents, including Dowanol glycol ethers; Specialty alkanolamines, including Ethanolamines and Isopropanolamines

Specialty Polymers business is a diverse portfolio serving numerous markets. The largest unit, Liquid Separations, uses several technologies to separate dissolved minerals and organics from water, making purer water for human and industrial uses.

- **Products**: Acrylic acid, Dispersants, Dowex ion exchange resins, Drytech superabsorbent polymers, FilmTec membranes, Glycine, Hydrocarbon resins, Quaternaries, Redispersible powders, Specialty monomers, Surface sizing polymers

Water Soluble Polymers business enhances food quality and safety, and helps pharmaceutical companies develop and manufacture new medicines and supply existing drugs more efficiently and economically. Products in this business are also used as thickeners in building and construction materials.

- **Products**: Ethocel ethylcellulose resins, Methocel cellulose ethers

Performance Chemicals New Businesses and Other Products includes: Aminoalcohols, Biological buffers, Nitroparaffins, Oxazolines/Oxazolidines, and other products of ANGUS Chemical; Contract Manufacturing Services/Hampshire Fine Chemicals, which serve other specialty chemical, pharmaceutical and agricultural chemical producers; and Polybutadiene rubber and Styrene-butadiene rubber.

AGRICULTURAL PRODUCTS

Applications: control of weeds, insects and diseases in plants • seeds • traits (genes) for crops and agriculture • urban pest management

Dow AgroSciences LLC is a global leader in providing pest management, agricultural and crop biotechnology products. It develops, manufactures and markets products for crop production; weed, insect and plant disease management; and industrial and commercial pest management. Through strategic acquisitions, alliances and research agreements, as well as internal research, Dow AgroSciences is building a leading plant genetics and biotechnology business in crop seeds and traits for seeds.

- **Products**: Acetochlor products, Clincher herbicide, Dursban and Lorsban insecticides, FirstRate herbicide, Fortress fungicide, Garlon herbicide, Glyphomax herbicide, Grandstand herbicide, Lontrel herbicide, Mustang herbicide, Mycogen Seeds, Phytogen seeds, Sentricon Termite Colony Elimination System, Spider herbicide, Starane herbicide, Stinger herbicide, Strongarm herbicide, Telone soil fumigant, Tordon herbicide, Tracer Naturalyte insect control, Treflan herbicide, Vikane structural fumigant

PLASTICS

Applications: appliances and appliance housings • automotive parts and trim • building and construction • consumer electronics • consumer goods • disposable diaper liners • fibers • films, bags and packaging for food and consumer products • flexible and rigid packaging • furniture and furnishings, outdoor furniture • health and hygiene films and nonwovens • housewares • information technology • luggage • oil tanks and road equipment • toys, playground equipment and recreational products • wire and cable

Polyethylene business supplies polyethylene-based solutions through sustainable product differentiation. Dow is the world's leading producer of polyethylene resins, one of the most versatile plastic materials. DuPont Dow Elastomers LLC is a 50:50 joint venture that leverages Insite Technology, Dow's proprietary catalyst and process technology, into elastomeric products.

- **Products**: Affinity polyolefin plastomers, Aspun fiber grade resins, Attane ultra low density polyethylene copolymers, Dowlex linear low density polyethylene resins, Elite enhanced polyethylene resins, High density polyethylene resins (HDPE), Low density polyethylene resins (LDPE), Primacor adhesive copolymers, Saran PVDC resins and films

Polystyrene business is the global leader in the production of polystyrene resins, uniquely positioned with geographic breadth and broad industry experience to meet a diverse range of customer needs. By implementing breakthrough proprietary technology, Dow continues to improve efficiencies and product performance.

- **Products**: Styrenic alloys, Styron A-Tech advanced polystyrene resins, Styron general purpose polystyrene resins, Styron high-impact polystyrene resins, Styron ignition-resistant polystyrene resins

Polypropylene is leveraging Dow's innovative manufacturing technology, research and product development expertise to become a major global polypropylene supplier.

- **Products**: Homopolymer polypropylene resins, Impact copolymer polypropylene resins, Inspire performance polymers

The Plastics segment also includes polyethylene terephthalate (PET), purified terephthalic acid (PTA) and several specialty resins, as well as a new family of thermoplastic polymers with unique properties, ethylene styrene interpolymers, which were developed from Insite technology.

CHEMICALS

Applications: automotive antifreeze, coolant systems • chemical processing • dry cleaning • household cleaners • paints, coatings and adhesives • personal care products • petroleum refining • plastic pipe • pulp and paper manufacturing • snow and ice control • water treatment

Chemicals business is a leading global producer of each of its basic chemical products. These products are sold to many industries worldwide and also serve as key raw materials in the production of many of Dow's performance and plastics products.

- **Products**: Carbon tetrachloride, Caustic soda, Chlorine, Chloroform, Dowper dry cleaning solvent, Ethylene dichloride (EDC), Ethylene glycol (EG), Ethylene oxide (EO), Liquidow liquid calcium chloride, Maxistab stabilizers for chlorinated solvents, Methyl chloride, Methylene chloride, Peladow calcium chloride pellets, Perchloroethylene, Propylene glycol (PG), Propylene oxide (PO), Safe-Tainer closed loop delivery system, Trichloroethylene, Vinyl chloride monomer (VCM)

HYDROCARBONS AND ENERGY
Applications: polymer and chemical production

Hydrocarbons and Energy business encompasses the procurement of fuels, natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, power and steam for use in Dow's global operations. Dow is the world leader in the production of olefins and styrene.

- **Products**: Benzene, Butadiene, Butylene, Cumene, Ethylene, Power, Propylene, Steam and other utilities, Styrene

Growth Platforms include advanced materials for electronics, industrial biotechnology and new developments with a focus on identifying and pursuing emerging commercial and technology opportunities. The results for Growth Platforms, as well as Cargill Dow LLC, venture capital and technology licensing, are included in Unallocated and Other.

Industry Segments and Geographic Area Results
See Note R to the Financial Statements for disclosure of information by operating segment and geographic area.

Number of Products
Dow manufactures and supplies more than 2,500 products and services, and no single one accounted for more than 5 percent of the Company's consolidated sales in 2000.

Competition
The Company experiences substantial competition in each of its industry segments. During 2000, the Company was the second largest chemical company in the United States and in the top five worldwide, in terms of sales. The chemical industry has been historically competitive and this condition is expected to continue. The chemical divisions of the major international oil companies also provide substantial competition both in the United States and abroad. The Company competes worldwide on the basis of quality, price and customer service.

Raw Materials
The Company operates in an integrated manufacturing environment. Basic raw materials are processed through many stages to produce a number of products that are sold as finished goods at various points in those processes.

The two major raw material streams that feed the integrated production of the Company's finished goods are chlorine-based and hydrocarbon-based raw materials.

Salt, limestone and natural brine are the base raw materials used in the production of chlor-alkali products and derivatives. The Company owns salt deposits in Louisiana, Michigan and Texas; Alberta, Canada; Brazil; and Germany. The Company also owns natural brine deposits in Michigan and limestone deposits in Texas.

Hydrocarbon raw materials include liquefied petroleum gases (LPG), crude oil, naphtha, natural gas and condensate. These raw materials are used in the production of both saleable products and energy. The Company also purchases electric power, benzene, ethylene and styrene to supplement internal production. Expenditures for hydrocarbons and energy accounted for 35% of the Company's operating costs and expenses for the year ended December 31, 2000. The Company purchases these raw materials on both short-term and long-term contracts.

Other significant raw materials include acrylic acid, acrylonitrile, aniline, bisphenol, cellulose, octene, organic acids, and toluene diamine. The Company purchases these raw materials on both short-term and long-term contracts.

The Company has, and expects to continue to have, adequate supplies of raw materials during 2001 and subsequent years.

Business and Products - Continued

Method of Distribution
All products and services are marketed primarily through the Company's sales force, although in some instances more emphasis is placed on sales through distributors. No significant portion of the business of any operating segment is dependent upon a single customer.

Research and Development
The Company is engaged in a continuous program of basic and applied research to develop new products and processes, to improve and refine existing products and processes and to develop new applications for existing products. Research and Development expenses were $892 million in 2000 compared with $845 million in 1999 and $807 million in 1998. The Company employs approximately 6,000 people in various research and development activities.

Patents, Licenses and Trademarks
The Company continually applies for and obtains United States and foreign patents. At December 31, 2000, the Company owned 2,893 active United States patents and 9,323 active foreign patents as follows:

	U.S.	Foreign
Performance Plastics	959	2,632
Performance Chemicals	346	1,597
Agricultural Products	499	1,559
Chemicals	87	193
Plastics	460	1,772
Hydrocarbons and Energy	29	137
Other	513	1,433
Total	2,893	9,323

Dow's primary purpose in obtaining patents is to protect the results of its research for use in operations and licensing. Dow is also party to a substantial number of patent licenses and other technology agreements. The Company had revenue related to patent and technology royalties totaling $61 million in 2000, $58 million in 1999 and $44 million in 1998, and incurred royalties to others of $21 million in 2000, $14 million in 1999 and $3 million in 1998. Dow also has a substantial number of trademarks and trademark registrations in the United States and in other countries, including the "Dow in Diamond" trademark. Although the Company considers that, in the aggregate, its patents, licenses and trademarks constitute a valuable asset, it does not regard its business as being materially dependent upon any single patent, license or trademark.

Principal Partly Owned Companies
Dow's principal nonconsolidated affiliates for 2000 and the Company's ownership interest for each are listed below:

- DuPont Dow Elastomers L.L.C. - 50 percent - manufactures and markets thermoset and thermoplastic elastomer products.
- Gurit-Essex, A.G. - 50 percent - a Swiss company, which supplies European automobile manufacturers with proprietary specialty products (see Subsequent Events in Management's Discussion and Analysis and Note C to the Financial Statements).
- Dow Corning Corporation - 50 percent - manufacturer of silicone and silicone products. Dow Corning has voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code (see Item 3. Legal Proceedings and Note P to the Financial Statements).
- Siam Styrene Monomer Ltd. - 49 percent - supports the development of styrene derivative businesses in Thailand, including Dow's existing latex and polystyrene facilities.
- Total Raffinaderij Nederland N.V. - 49 percent - provides feedstocks for Dow's major petrochemical site at Terneuzen, The Netherlands, and also services the Benelux and nearby countries.
- Compañía Mega S.A. - 28 percent - an Argentine company that is constructing a natural gas separation and fractionation plant. The plant will provide feedstocks to the Company's petrochemical plant, Petroquímica Bahía Blanca, located in Bahia Blanca, Argentina.
- Buna Sow Leuna Olefinverbund (BSL) - 80 percent through May 31, 2000 - a former East German integrated chemical complex. On June 1, 2000, BSL became a wholly owned subsidiary of the Company and, beginning on that date, the financial results of BSL are fully consolidated (see Note C to the Financial Statements). This acquisition offers Dow both new products (e.g. polypropylene, acrylic acid and synthetic rubber) and expanded geographic reach for core chlorine-based and hydrocarbon-based chemicals and plastics.

Financial Information About Foreign and Domestic Operations and Export Sales
In 2000, the Company derived 61 percent of its sales and had 46 percent of its property investment outside the United States. While the Company's international operations may be subject to a number of additional risks, such as changes in currency exchange rates, the Company does not regard its foreign operations, on the whole, as carrying any greater risk than its operations in the United States. Information on sales and long-lived assets by geographic area for each of the last three years appears in Note R to the Financial Statements, and discussions of the Company's risk management program for foreign exchange and interest rate risk management appear in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note J to the Financial Statements.

Protection of the Environment
Matters pertaining to the environment are discussed in Legal Proceedings, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Notes A and P to the Financial Statements.

Employees
Personnel count at December 31, 2000 was 41,943 versus 39,443 at the end of 1999 and 39,029 at the end of 1998.

Other Activities
Dow engages in the property and casualty insurance and reinsurance business primarily through its Liana Limited subsidiaries.

ITEM 2. PROPERTIES

The Company operates 141 manufacturing sites in 32 countries. The Company considers that its properties are in good operating condition and that its machinery and equipment have been well maintained. The Company's chemicals and plastics production facilities and plants operated at approximately 86 percent of capacity during 2000. The following are the major production sites:

United States:	Midland, Michigan; Freeport, Texas; Plaquemine, Louisiana.
Canada:	Sarnia, Ontario; Fort Saskatchewan, Alberta.
Germany:	Boehlen; Leuna; Schkopau; Stade; Rheinmuenster.
France:	Drusenheim.
The Netherlands:	Terneuzen.
Spain:	Tarragona.
Argentina:	Bahia Blanca.
Brazil:	Aratu.

Including the major production sites, the Company has plants and holdings in the following geographic areas:

United States:	47 manufacturing locations in 20 states.
Canada:	7 manufacturing locations in 3 provinces.
Europe:	43 manufacturing locations in 15 countries.
Latin America:	26 manufacturing locations in 6 countries.
Pacific:	18 manufacturing locations in 9 countries.

All of Dow's plants are owned or leased, subject to certain easements of other persons which, in the opinion of management, do not substantially interfere with the continued use of such properties or materially affect their value.

A summary of properties, classified by type, is contained in Note G to the Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

Breast Implant Matters

The Company and Corning Incorporated (Corning) are each 50 percent stockholders in Dow Corning Corporation (Dow Corning). Dow Corning, the Company and/or Corning have been sued in a number of individual and class actions by plaintiffs seeking damages, punitive damages and injunctive relief in connection with injuries purportedly resulting from alleged defects in silicone breast implants. In addition, certain stockholders of the Company have filed separate consolidated class action complaints in the federal district court for the Southern District of New York alleging that the Company, Dow Corning or some of their respective Directors violated duties imposed by the federal securities laws regarding disclosure of alleged defects in silicone breast implants. All individual defendants in this case have been dismissed without prejudice. The Company and one of its former officers were also sued in two separate class action complaints (subsequently consolidated in the federal district court for the Eastern District of Michigan under the caption *ZSA v. Dow Chemical*) alleging that the defendants violated duties imposed by the federal securities laws regarding disclosure of information material to a reasonable investor's assessment of the magnitude of the Company's exposure to direct liability in silicone breast implant litigation. On February 1, 1999, the Court entered a Stipulated Order in *ZSA v. Dow Chemical* dismissing the claims of the named plaintiffs with prejudice and dismissing the claims of the class, which had never been certified, without prejudice.

On May 15, 1995, Dow Corning announced that it had voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code. Under Chapter 11, all claims against Dow Corning (although not against its co-defendants) are automatically stayed.

It is impossible to predict the outcome of each of the above-described legal actions. However, it is the opinion of the Company's management that the possibility that these actions will have a material adverse impact on the Company's consolidated financial statements is remote, except as described below.

In January 1994, Dow Corning announced a pretax charge of $640 million ($415 million after tax) for the fourth quarter of 1993. In January 1995, Dow Corning announced a pretax charge of $241 million ($152 million after tax) for the fourth quarter of 1994. These charges included Dow Corning's best estimate of its potential liability for breast implant litigation based on a global Breast Implant Litigation Settlement Agreement (the Settlement Agreement); litigation and claims outside the Settlement Agreement; and provisions for legal, administrative and research costs related to breast implants. The charges for 1993 and 1994 included pretax amounts of $1,240 million and $441 million, respectively, less expected insurance recoveries of $600 million and $200 million, respectively. The 1993 amounts reported by Dow Corning were determined on a present value basis. On an undiscounted basis, the estimated liability noted above for 1993 was $2,300 million less expected insurance recoveries of $1,200 million.

As a result of the Dow Corning actions, the Company recorded its 50 percent share of the charges, net of tax benefits available to the Company. The impact on the Company's net income was a charge of $192 million for 1993 and a charge of $70 million for 1994.

Dow Corning reported an after-tax net loss of $167 million for the second quarter of 1995, of which the Company's share amounted to $83 million. Dow Corning's second quarter loss was a result of a $221 million after-tax charge taken to reflect a change in accounting method from the present value basis noted above to an undiscounted basis resulting from the uncertainties associated with its Chapter 11 filing. As a result of Dow Corning's 1995 second quarter loss and Chapter 11 filing, the Company recognized a pretax charge against income of $330 million for the second quarter of 1995, fully reserved its investment in Dow Corning, and has reserved its 50 percent share of equity earnings through the third quarter of 2000.

On September 1, 1994, Judge Sam C. Pointer, Jr. of the United States District Court for the Northern District of Alabama approved the Settlement Agreement pursuant to which plaintiffs choosing to participate in the Settlement Agreement released the Company from liability. The Company was not a participant in the Settlement Agreement nor was it required to contribute to the settlement. On October 7, 1995, Judge Pointer issued an order which concluded that the Settlement Agreement was not workable in its then-current form because the funds committed to it by industry participants were inadequate. The order provided that plaintiffs who had previously agreed to participate in the Settlement Agreement could opt out after November 30, 1995.

The Company's financial statement exposure for breast implant product liability claims against Dow Corning is limited to its investment in Dow Corning which, after the second quarter of 1995 charge, the reserving of its share of equity earnings through the third quarter of 2000, and the resumption of recognizing of its share of Dow Corning's earnings in the fourth quarter of 2000, is negligible. As a result, any future charges by Dow Corning related to such claims or as a result of the Chapter 11 proceeding would not have a material adverse impact on the Company's consolidated financial statements.

The Company is separately named as a defendant in over 14,000 breast implant product liability cases. In these situations, plaintiffs have alleged that the Company should be liable for Dow Corning's alleged torts based on the Company's 50 percent stock ownership in Dow Corning and that the Company should be liable by virtue of alleged "direct participation" by the Company or its agents in Dow Corning's breast implant business. These latter, direct participation claims include counts sounding in strict liability, fraud, aiding and abetting, conspiracy, concert of action and negligence.

Legal Proceedings - Continued

Judge Pointer was appointed by the Federal Judicial Panel on Multidistrict Litigation to oversee all of the product liability cases involving silicone breast implants filed in the U.S. federal courts. Initially, in a ruling issued on December 1, 1993, Judge Pointer granted the Company's motion for summary judgment, finding that there was no basis on which a jury could conclude that the Company was liable for any claimed defects in the breast implants manufactured by Dow Corning. In an interlocutory opinion issued on April 25, 1995, Judge Pointer affirmed his December 1993 ruling as to plaintiffs' corporate control claims but vacated that ruling as to plaintiffs' direct participation claims.

In his opinion, Judge Pointer reaffirmed the view he had expressed in his December 1993 ruling that the Company is a separate, independent entity from Dow Corning and therefore has no legal responsibility as a result of its ownership of Dow Corning stock for Dow Corning's breast implant business. However, Judge Pointer stated that, under the law of at least some states (although not necessarily all states), actions allegedly taken by the Company independent of its role as a stockholder in Dow Corning could give rise to liability under a negligence theory. Judge Pointer declined to address plaintiffs' other legal theories, including strict liability, fraud, aiding and abetting, conspiracy and concert of action. It is impossible to predict the outcome or to estimate the cost to the Company of resolving any of the federal product liability cases. The Company has filed claims with insurance carriers to recover in the event it is held liable in the federal (or any other) breast implant litigation.

After Judge Pointer's initial ruling in December 1993, summary judgment was granted to the Company in approximately 4,000 breast implant cases pending in state courts in California, Indiana, Michigan, New Jersey and New York, and over 100 actions in Pennsylvania were dismissed. Of these rulings, the California ruling was final and was appealed. On September 25, 1996, the California Court of Appeal for the 4th District affirmed the trial court's order granting summary judgment to the Company. On July 9, 1998, the California Supreme Court affirmed the decision of the Court of Appeal, and the California summary judgment order in favor of the Company is now final. The Michigan ruling was made final on March 20, 1997. On September 14, 1999, the Michigan Court of Appeals affirmed summary judgment in *Maples v. The Dow Chemical Company*, a case determinative of all cases pending in Michigan state court. The time for filing a petition for leave to appeal to the Michigan Supreme Court has passed with no petition having been filed. Pursuant to a stipulated order, all cases that were pending on the state court docket will now be dismissed with prejudice. Since federal courts in diversity cases are bound to apply state court interpretations of state law questions, the *Maples* affirmance should also result in dismissal of all claims against the Company pending in federal court and governed by Michigan law. The New Jersey ruling has been reconsidered and all claims were again dismissed, except the negligence claim. Plaintiffs in New York filed a motion to reconsider based on Judge Pointer's April 25, 1995 ruling. On September 22, 1995, Judge Lobis, presiding over the consolidated New York breast implant litigation, dismissed all counts of all cases filed against the Company in New York on the ground that no reasonable jury could find against the Company. On May 28, 1996, the New York Supreme Court Appellate Division affirmed the lower court's dismissal of all claims against the Company. New York's highest court subsequently denied plaintiffs' petition for review, and the order dismissing all claims against the Company is now final. Other rulings that are not final decisions are also subject to reconsideration. On October 20, 1996, in a Louisiana state court breast implant case styled *Spitzfaden v. Dow Corning, et al.*, the court entered an order maintaining certification of a class of Louisiana plaintiffs consisting of recipients of Dow Corning breast implants who, as of January 15, 1997, (i) are residents of Louisiana, (ii) are former residents of Louisiana who are represented by Louisiana counsel, or (iii) received their implants in Louisiana and are represented by Louisiana counsel, together with the spouses and children of such plaintiffs, and representatives of the estates of class members who are deceased. On August 18, 1997, at the conclusion of the first of four phases of this case, the jury found in part that the Company had been negligent in the testing and/or research of silicone, had misrepresented and concealed unspecified hazards associated with using silicone in the human body and had conspired with Dow Corning to misrepresent or conceal such hazards. The Company has appealed the jury's verdict. On December 1, 1997, the trial court decertified the class. The parties have since entered into a confidential settlement, the terms of which are dependent on the outcome of the appeal and are reflected, in part, in the Joint Plan (defined below). Any settlement amounts paid by the Company will be reimbursed by Dow Corning in accordance with the terms of the Joint Plan if the Joint Plan becomes effective. Further action in the *Spitzfaden* case itself will commence, if at all, only after the resolution of the pending appeal. The Company remains a defendant in other breast implant product liability cases originally brought in state courts and continues to be named as a defendant as cases are filed in various courts which are then transferred to the United States District Court, Eastern District of Michigan. It is impossible to predict the outcome or to estimate the cost to the Company of resolving any of the product liability cases described above.

Legal Proceedings - Continued

The Company was also a defendant in ten federal silicone jaw implant cases involving implants manufactured by Dow Corning. Federal District Court Judge Paul A. Magnuson has been appointed by the Federal Judicial Panel on Multidistrict Litigation to oversee all of the product liability cases involving silicone jaw implants filed in the U.S. federal courts. On March 31, 1995, Judge Magnuson granted the Company's motion for summary judgment, concluding, based on virtually the same arguments that were presented to Judge Pointer, that no reasonable jury could find in favor of plaintiffs on any of their claims against the Company. On June 13, 1995, Judge Magnuson denied plaintiffs' motion to reconsider his ruling based on Judge Pointer's April 25, 1995 decision, and granted the Company's request to enter a final judgment in its favor. The United States Court of Appeals for the Eighth Circuit affirmed the summary judgment in favor of the Company on May 16, 1997. That judgment is now final.

On November 3, 1994, Judge Michael Schneider, presiding in the consolidated breast implant cases in Harris County, Texas, granted in part and denied in part the Company's motion for summary judgment. Judge Schneider granted the Company's motion as to (i) all claims based on the Company's stockholder status in Dow Corning, (ii) the claim that the Company was liable in negligence for failing to supervise Dow Corning, and (iii) plaintiffs' licensor-licensee claim. Judge Schneider denied the Company's motion with regard to plaintiffs' claims sounding in fraud, aiding and abetting, conspiracy, certain negligence claims and a claim brought under the Texas Deceptive Trade Practices Act. As a result, the Company remains a defendant as to such claims in the Harris County product liability cases. In those cases (and in cases brought in certain other jurisdictions including those before Judge Pointer), the Company has filed cross-claims against Dow Corning on the ground that if the Company and Dow Corning are found jointly and severally liable, Dow Corning should bear appropriate responsibility for the injuries judged to be caused by its product. In certain jurisdictions, the Company has also filed cross-claims and/or third party claims against Corning. It is impossible to predict the outcome or to estimate the cost to the Company of resolving any of the Harris County product liability cases.

In an order dated December 1, 1994, Judge Frank Andrews, presiding in the consolidated breast implant cases in Dallas County, Texas, granted the Company's motion for summary judgment "in all respects except as to theories of conspiracy and strict liability as a component supplier." As a result, the Company remains a defendant as to such claims in the Dallas County product liability cases. It is impossible to predict the outcome or to estimate the cost to the Company of resolving any of these actions.

In addition to the jury findings in the first phase of the Louisiana state case noted above, three breast implant product liability cases brought against the Company have now been tried to judgment. In February 1995, a Harris County jury exonerated the Company in one case and found the Company jointly and severally liable with Dow Corning for $5.23 million on a single count in a second case. After the verdict, however, the Court overturned the jury's verdict and entered judgment for the Company. On October 30, 1995, a state court jury in Reno, Nevada found the Company liable for $4.15 million in compensatory damages and $10 million in punitive damages. On December 31, 1998, the Nevada Supreme Court reversed and vacated the $10 million punitive damages award and affirmed the $4.15 million compensatory damages award. The Company filed a motion asking the Court to reconsider that portion of its opinion affirming the compensatory damages award. On February 12, 1999, that motion was denied. Subsequently, the parties negotiated a confidential settlement and the case has been dismissed with prejudice. The Company will be reimbursed by Dow Corning for all settlement amounts paid, in accordance with the terms of the Joint Plan if the Joint Plan becomes effective.

On May 13, 1997, United States District Court Judge Denise Page Hood ordered that all breast implant claims currently pending against the Company as to which judgment had not been entered, whether pending in state or federal courts, be transferred to the United States District Court, Eastern District of Michigan pursuant to a decision issued by the United States Court of Appeals for the Sixth Circuit on May 8, 1997. On August 1, 1997, Judge Hood issued her case management order with respect to the transferred claims, and ordered that all implant claims later filed in federal or state courts against the Company should likewise be transferred. On August 5, 1997, the Tort Committee in Dow Corning's bankruptcy case filed a petition for a writ of certiorari with the United States Supreme Court seeking review of the May 8, 1997 decision of the Sixth Circuit. On November 10, 1997, the Supreme Court denied the Tort Committee's petition.

Judge Hood's May 13, 1997 order transferred the Louisiana state court breast implant case, *Spitzfaden v. Dow Corning, et al.*, to the United States District Court, Eastern District of Michigan. The plaintiffs in that case filed an emergency motion to transfer, or abstain and remand, the case back to the Louisiana state court. On May 21, 1997, Judge Hood "abstain(ed) from the claims involved in Phases I and II" of that case resulting in its return to the Louisiana state court and the resumption of the trial. The Company sought review of Judge Hood's May 21 decision by the United States Court of Appeals for the Sixth Circuit. On June 25, 1998, the Sixth Circuit rejected the Company's argument that Judge Hood's May 21, 1997 order returning Phases I and II of the *Spitzfaden* proceeding to Louisiana was an abuse of her discretion.

Legal Proceedings - Continued

On July 7, 1998, Dow Corning, the Company and Corning, on the one hand, and the Tort Claimants' Committee in Dow Corning's bankruptcy on the other, agreed on a binding Term Sheet to resolve all tort claims involving Dow Corning's silicone medical products, including the claims against Corning and the Company (collectively, the Shareholders). The agreement set forth in the Term Sheet was memorialized in a Joint Plan of Reorganization (the Joint Plan) filed by Dow Corning and the Tort Claimants' Committee (collectively, the Proponents) on November 9, 1998. On February 4, 1999, the Bankruptcy Court approved the disclosure statement describing the Joint Plan. Before the Joint Plan could become effective, however, it was subject to a vote by the claimants, a confirmation hearing and all relevant provisions of the Bankruptcy Code. Voting was completed on May 14, 1999, and the confirmation hearing concluded on July 30, 1999.

On November 30, 1999, the Bankruptcy Court issued an Order confirming the Joint Plan, but then issued an Opinion on December 21, 1999 that, in the view of the Proponents and the Shareholders, improperly interpreted or attempted to modify certain provisions of the Joint Plan affecting the resolution of tort claims involving Dow Corning's silicone medical products against various entities, including the Shareholders. Many of the parties in interest, including the Shareholders, filed various motions and appeals seeking, among other things, a clarification of the December 21, 1999 Opinion. These motions and appeals were heard by U.S. District Court Judge Denise Page Hood on April 12 and 13, 2000, and on November 13, 2000, Judge Hood affirmed the Bankruptcy Court's November 30, 1999 Order confirming the Joint Plan and reversed, in part, the Bankruptcy Court's December 21, 1999 Opinion, including that portion of the Opinion the Shareholders had appealed. In turn, various parties in interest have appealed Judge Hood's decision to the United States Court of Appeals for the Sixth Circuit. The effectiveness of the Joint Plan remains subject to the resolution of those appeals. Accordingly, there can be no assurance at this time that the Joint Plan will become effective.

It is the opinion of the Company's management that the possibility is remote that plaintiffs will prevail on the theory that the Company should be liable in the breast implant litigation because of its stockholder relationship with Dow Corning. The Company's management believes that there is no merit to plaintiffs' claims that the Company is liable for alleged defects in Dow Corning's silicone products because of the Company's alleged direct participation in the development of those products, and the Company intends to contest those claims vigorously. Management believes that the possibility is remote that a resolution of plaintiffs' direct participation claims, including the vigorous defense against those claims, will have a material adverse impact on the Company's financial position or cash flows. Nevertheless, in light of Judge Pointer's April 25, 1995 ruling, it is possible that a resolution of plaintiffs' direct participation claims, including the vigorous defense against those claims, could have a material adverse impact on the Company's net income for a particular period, although it is impossible at this time to estimate the range or amount of any such impact.

Environmental Matters

On March 25, 1998, Dow AgroSciences LLC, a wholly owned subsidiary of the Company, made a written inquiry to the United States Environmental Protection Agency (EPA) with regard to alleged violations of the Federal Insecticide, Fungicide and Rodenticide Act for which the EPA has verbally indicated that it is seeking a civil penalty in the amount of $792,000.

On November 13, 1998, the Michigan Department of Environmental Quality ("MDEQ") commenced an investigation of alleged unpermitted release and improper storage of material containing dioxin and furans at Radian International LLC's ("Radian") waste treatment facility which is located within the Company's Michigan Operations manufacturing site. This waste treatment facility processes dried tertiary pond solids for transport to the Company's incinerator under an agreement with the State of Michigan. The Company has been included in the MDEQ investigation even though the waste treatment facility in question is owned and operated by Radian. At this juncture, a fine in excess of $100,000 against both companies is possible, although the Company may ultimately have indemnification rights against Radian.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of 2000.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is information related to the Company's executive officers as of March 9, 2001.

ARNOLD A. ALLEMANG, 58. DOW EXECUTIVE VICE PRESIDENT. DIRECTOR SINCE 1996. Employee of Dow since 1965. Director of Technology Centers, Dow U.S.A. 1989-92. Manufacturing General Manager, Dow Benelux N.V.* 1992-93. Regional Vice President, Manufacturing and Administration, Dow Benelux N.V.* 1993. Vice President, Manufacturing Operations, Dow Europe S.A.* 1993-95. Dow Vice President and Director of Manufacturing and Engineering 1996-97. Dow Vice President, Operations 1997-2000. Executive Vice President 2000 to date. Director of Liana Limited* and Dorinco Reinsurance Company.* Representative on the Members Committee of DuPont Dow Elastomers L.L.C.* Director of the National Association of Manufacturers. Member of the American Chemical Society; the Advisory Board, Center for Chemical Process Safety, American Institute of Chemical Engineers; College of Engineering Advisory Council, Kansas State University; the Corporate Executive Board's Operations Management Roundtable; and National Academy of Engineering's Action Forum on Diversity.

FRANK H. BROD, 46. DOW VICE PRESIDENT AND CONTROLLER. Employee of Dow since 1975. Controller, Essex Chemical Corporation,* 1988-1991. Financial Controller and Information Systems Director for Dow U.K. and Ireland, 1991-1993. Financial & Statutory Controller, 1993-1995. Controller, Dow Europe S.A.* and Finance Director for Dow's Global Fabricated Products Business, 1995-1998. Global Accounting Director, 1998-2000. Vice President and Controller, The Dow Chemical Company, 2000 to date. Director of Dow Credit Corporation;* Dow Financial Holdings, Inc.;* Diamond Capital Management, Inc.;* Dow Hydrocarbons and Resources, Inc.;* and Liana Limited.* Member of the Conference Board's Controllers Council and Committee on Corporate Reporting of Financial Executives Institute. Member of American Institute of Certified Public Accountants and Texas Society of CPAs. Member of Accounting Advisory Board, Michigan State University and Northwood University; Development Board, Central Michigan University. Director of Wolverine Bank, FSB.

ANTHONY J. CARBONE, 60. VICE CHAIRMAN OF THE DOW BOARD OF DIRECTORS AND SENIOR CONSULTANT. DIRECTOR SINCE 1995. Employee of Dow since 1962. Dow Latin America Marketing Director for Plastics 1974-76. Dow Business Manager for Styrofoam 1976-80, Director of Marketing for Functional Products and Systems 1980-83. Dow U.S.A. General Manager of the Coatings and Resins Department 1983-86, General Manager of Separation Systems 1986-87, Vice President Dow Plastics 1987-91. Dow North America Group Vice President for Plastics 1991-93. Group Vice President, Global Plastics 1993-95. Group Vice President - Global Plastics, Hydrocarbons and Energy 1995-96. Executive Vice President, 1996-2000. Vice Chairman of the Board of Directors February 2000 to date. Senior Consultant November 2000 to date. Board member of the Society of Plastics Industries and the American Plastics Council. Member of the American Chemical Society and Advisory Council for the Heritage Foundation.

RICHARD M. GROSS, 53. DOW CORPORATE VICE PRESIDENT OF RESEARCH AND DEVELOPMENT. Employee of Dow since 1974. Research and Development Director, North American Chemicals and Metals/Hydrocarbons 1992-95. Director of Core Technologies Research and Development 1995-98. Director of Continental Operations 1995-97. Vice President of Dow North America and Director of Michigan Operations 1997-98. Vice President and Director of Research and Development 1998-2000. Corporate Vice President, Research and Development 2000 to date. Member of the Corporate Operating Board 2000 to date. Recipient of 1996 Genesis Award for Excellence in People Development. Member of the American Chemical Society, the American Institute of Chemical Engineers and the Industrial Research Institute. Member of the Governing Board and 1st Vice Chair, the Council for Chemical Research. Member of the Chemical Engineering Advisory Board at Worcester Polytechnic Institute. Member of the Advisory Board of the National Science Resources Center; the Advisory Board for the College of Chemistry at the University of California, Berkeley; the National Research Council's Board on Chemical Sciences & Technology; and the Michigan Molecular Institute Board.

DAVID E. KEPLER II, 48. DOW CORPORATE VICE PRESIDENT AND CHIEF INFORMATION OFFICER. Employee of Dow since 1975. Computer Services Manager of Dow U.S.A. Eastern Division 1984-88. Commercial Director of Dow Chemical Canada Inc.,* Performance Products 1989-91. Director of Pacific Area Information Systems 1991-93. Manager of Information Technology for Chemicals and Plastics 1993-94. Director of Global Information Systems Services 1994-95. Director of Global Information Application 1995-98. Vice President 1998-2000. Chief Information Officer 1998 to date. Corporate Vice President 2000 to date. Director of Buildscape, LLC.* Member of The Research Board Inc., the American Chemical Society, the American Institute of Chemical Engineers and e-Michigan Advisory Council.

Executive Officers of the Registrant - Continued

GEOFFERY E. MERSZEI, 49. DOW VICE PRESIDENT AND TREASURER. Employee of Dow since 1978. Director of Finance, Dow Chemical (Hong Kong) Limited* 1989-92. Director of Finance, Dow Europe S.A.* 1992-96. Vice President and Treasurer, The Dow Chemical Company 1996 to date. Member of the Conference Board's Council of Financial Executives. Financial Executives Institute – Chairman, Committee on Corporate Finance; Editorial Advisory Board Member. Member of the Citibank Advisory Board.

MICHAEL D. PARKER, 54. DOW PRESIDENT AND CHIEF EXECUTIVE OFFICER. DIRECTOR SINCE 1995. Employee of Dow since 1968. Dow Europe S.A.* Product Marketing Manager for Epoxy Resins 1977-79. Director of Marketing for Inorganic Chemicals 1979-82. Director of Marketing for Organic Chemicals 1982-83. Commercial Director for the Functional Products Department 1983-84. Dow U.S.A. General Manager of the Specialty Chemicals Department 1984-87. Dow Chemical Pacific Limited* Commercial Vice President 1987-88, President 1988-93. Dow Group Vice President 1993-96. Group Vice President - Chemicals and Hydrocarbons 1993-95. Business Vice President for Chemicals 1995-2000. President Dow North America 1995–2000. Executive Vice President 1996–2000. President and Chief Executive Officer 2000 to date. Representative on the Members Committee, Dow AgroSciences LLC.* Director of Dow Corning Corporation.* Director of the National Legal Center for the Public Interest and the American Plastics Council. Director, Executive Committee member and Chair of the Strategic Communication Committee, the American Chemistry Council.

J. PEDRO REINHARD, 55. DOW EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER. DIRECTOR SINCE 1995. Employee of Dow since 1970. Dow Brazil Area Finance Director 1978-81. Dow Europe S.A.* Finance Director 1981-85. Dow Assistant Treasurer 1984-85. Dow Europe S.A.* Vice President 1985-88. Managing Director, Dow Italy 1985-88. Dow Treasurer 1988-96, Vice President 1990-95, Financial Vice President 1995-96, Chief Financial Officer 1995 to date, Executive Vice President 1996 to date. Chairman of the Board of Liana Limited.* Chairman of the Members Committee, Dow AgroSciences LLC.* Director of Royal Bank of Canada, Mycogen Corporation* and Dow Corning Corporation.* Member of the Financial Executives Institute and The Conference Board's Council of Financial Executives.

WILLIAM S. STAVROPOULOS, 61. CHAIRMAN OF THE DOW BOARD OF DIRECTORS. DIRECTOR SINCE 1990. Employee of Dow since 1967. President of Dow Latin America 1984-85. Dow U.S.A. Commercial Vice President for Basics and Hydrocarbons 1985-87. Group Vice President for Plastics and Hydrocarbons 1987-90. President of Dow U.S.A. 1990-93. Dow Vice President 1990-91, Senior Vice President 1991-93, Chief Operating Officer 1993-95, President 1993–2000, Chief Executive Officer 1995–2000, Chairman 2000 to date. Director of Dow Corning Corporation,* BellSouth Corporation, Chemical Financial Corporation and NCR Corporation. Board member of American Enterprise Institute for Public Policy Research, Fordham University, and J. P. Morgan International Council. Also a member of the Advisory Board to the Fidelity Group of Funds. Member of the American Chemical Society, The Business Council, World Business Council for Sustainable Development, serving on the Executive Committee; and University of Notre Dame Advisory Council for the College of Science. 2000 Man of the Year Award, Hellenic American Chamber of Commerce; 1999 Kavaler CEO of the Year Award.

LAWRENCE J. WASHINGTON, JR., 55. DOW CORPORATE VICE PRESIDENT, ENVIRONMENT, HEALTH & SAFETY, HUMAN RESOURCES AND PUBLIC AFFAIRS. Employee of Dow since 1969. General Manager, Western Division 1987-90. Vice President, Dow North America, and General Manager of the Michigan Division 1990-94. Vice President, Human Resources 1994 to date. Vice President, Environment, Health & Safety and Public Affairs 1997 to date. Director of Chemical Bank and Trust Company, Liana Limited* and Dorinco Reinsurance Company.* Member of the National Advisory Board for Michigan Technological University and the Advisory Council, College of Engineering and Science, University of Detroit Mercy.

* A number of Company entities are referenced to in the biographies and are defined as follows. (Some of these entities have had various names over the years. The names and relationships to the Company, unless otherwise indicated, are stated in this footnote as they existed as of the Annual Meeting record date.) Buildscape, LLC - 36 percent owned by Dow. Dow Corning Corporation and DuPont Dow Elastomers L.L.C. - companies ultimately 50 percent owned by Dow. Diamond Capital Management, Inc., Dorinco Reinsurance Company, Dow AgroSciences LLC, Dow Benelux N.V., Dow Chemical Canada Inc., Dow Chemical (Hong Kong) Limited, Dow Chemical Pacific Limited, Dow Credit Corporation, Dow Europe S.A., Dow Financial Holdings, Inc., Dow Hydrocarbons and Resources, Inc., Essex Chemical Corporation, Liana Limited, and Mycogen Corporation - all ultimately wholly owned subsidiaries of Dow. Ownership by Dow described above may be either direct or indirect.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market for the Company's common stock is the New York Stock Exchange. In order to comply with the terms of the merger agreement with Union Carbide, the Company announced on January 31, 2001 that pro rata dividends would be paid to Dow stockholders for the first quarter of 2001. Due to the closing of the merger on February 6, 2001, two pro rata dividends will be paid as follows:

- A pro rata dividend of 12.11 cents per share related to the pre-merger period, payable on March 1, 2001 to stockholders of record on February 5, 2001
- A pro rata dividend of 16.89 cents per share related to the post-merger period, payable on April 30, 2001 to stockholders of record on March 30, 2001

The two pro rata dividends together equal Dow's current quarterly dividend rate of 29 cents per share. This will be the 357th consecutive quarter in which the Company has issued a dividend. Since 1912, Dow has maintained or increased the quarterly dividend. In each of the last three years, the Company declared dividends of $1.16 per share.

At March 5, 2001, there were 125,865 registered common stockholders. The Company estimates that there were an additional 128,000 stockholders whose shares were held in nominee names at December 31, 2000.

Quarterly market and dividend information can be found in Part II, Item 8 (Financial Statements & Supplementary Data) on page 61.

ITEM 6. SELECTED FINANCIAL DATA

The Dow Chemical Company and Subsidiaries

Five-year Summary of Selected Financial Data

In millions, except as noted *(Unaudited)*	*2000*	*1999*	*1998*	*1997*	*1996*
Summary of Operations					
Net sales (1)	$23,008	$19,989	$19,442	$20,974	$20,961
Cost of sales (1)	18,262	15,362	14,800	15,635	15,016
Research and development expenses	892	845	807	785	761
Selling, general and administrative expenses	1,582	1,530	1,666	1,880	2,136
Amortization of intangibles	125	146	88	61	39
Purchased in-process research and development charges	6	6	349	-	-
Special charges	-	94	458	-	-
Insurance and finance company operations, pretax income	68	127	112	113	78
Other income	580	343	980	511	405
Earnings before interest, income taxes and minority interests	2,789	2,476	2,366	3,237	3,492
Interest expense - net	388	310	354	289	204
Income before income taxes and minority interests	2,401	2,166	2,012	2,948	3,288
Provision for income taxes	823	766	685	1,041	1,187
Minority interests' share in income	65	69	17	99	194
Preferred stock dividends	-	5	6	6	7
Net income available for common stockholders	$1,513	$1,326	$1,304	$1,802	$1,900
Per share of common stock (dollars): (2)					
Net income available for common stockholders - basic	$2.24	$2.01	$1.94	$2.60	$2.57
Net income available for common stockholders - diluted	2.22	1.98	1.92	2.57	2.53
Cash dividends declared	1.16	1.16	1.16	1.12	1.00
Cash dividends paid	1.16	1.16	1.16	1.08	1.00
Weighted-average common shares outstanding (2)	676.0	660.2	670.6	691.9	739.0
Convertible preferred shares outstanding	-	1.3	1.4	1.4	1.5
Year-end Financial Position					
Total assets	$27,645	$25,499	$23,830	$24,040	$24,673
Working capital	1,387	2,552	1,198	1,629	4,276
Property - gross	25,491	24,276	24,435	23,345	23,737
Property - net	9,190	8,490	8,447	8,052	8,484
Long-term debt and redeemable preferred stock	4,865	5,072	4,094	4,245	4,230
Total debt	6,524	6,057	5,877	6,258	5,468
Net stockholders' equity	9,186	8,323	7,429	7,626	7,954
Financial Ratios					
Research and development expenses as percent of net sales (1)	3.9%	4.2%	4.2%	3.7%	3.6%
Income before income taxes and minority interests as percent of net sales (1)	10.4%	10.8%	10.3%	14.1%	15.7%
Return on stockholders' equity	16.5%	15.8%	17.5%	23.5%	23.8%
Book value per share of common stock (dollars) (2)	$13.56	$12.50	$11.30	$11.35	$11.04
Debt as a percent of total capitalization	39.3%	39.5%	42.3%	42.8%	35.2%
General					
Capital expenditures	$1,349	$1,412	$1,546	$1,198	$1,344
Depreciation	1,145	1,122	1,188	1,208	1,259
Salaries and wages paid	2,623	2,714	2,816	2,882	2,944
Cost of employee benefits	422	514	637	666	700
Number of employees at year-end (thousands)	41.9	39.4	39.0	44.1	40.3
Number of stockholders of record at year-end (thousands) (3)	87.9	87.7	93.0	97.2	104.6

(1) Adjusted for reclassification of freight on sales. (2) Adjusted for 3-for-1 stock split in 2000.

(3) Stockholders of record as reported by the transfer agent. The Company estimates that there were an additional 128,000 stockholders whose shares were held in nominee names at December 31, 2000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of The Dow Chemical Company and its subsidiaries (the Company). This section covers the current performance and outlook of the Company and each of its operating segments. The forward-looking statements contained in this section and in other parts of this document involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors as more fully discussed elsewhere and in filings with the U.S. Securities and Exchange Commission (SEC). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company has no obligation to provide revisions to any forward-looking statements should circumstances change.

INTRODUCTORY NOTES TO READERS

- **Merger with Union Carbide Corporation**
  The Company completed its merger with Union Carbide Corporation on February 6, 2001, after receiving clearance from the U.S. Federal Trade Commission. This financial report, including forward-looking statements, does not reflect the effects of the merger. Historical financial information will be restated in future reports to include Union Carbide. See "Subsequent Events" on page 28, and Notes C and S to the Financial Statements.
- **Stock Split**
  All references in this section and in the consolidated financial statements to common shares, share prices, per share amounts and stock plans have been retroactively restated for the three-for-one stock split on June 16, 2000, unless otherwise noted. See Note L to the Financial Statements.
- **Sales and Cost of Sales Reclassification**
  Sales, cost of sales and all associated references have been retroactively reclassified in accordance with the guidance provided by the Emerging Issues Task Force of the Financial Accounting Standards Board with respect to accounting for shipping and handling costs in a sales transaction. These costs were previously recorded by the Company as a reduction of net sales. Due to the reclassification, reported net sales have increased with a corresponding increase in cost of sales. See Note A to the Financial Statements.

RESULTS OF OPERATIONS

Dow achieved record sales of $23 billion in 2000, up 15 percent from $20 billion in 1999 and 18 percent from $19.4 billion in 1998. The improvement in sales was driven by increases in both volume and price. Volume improved 7 percent from 1999, while selling prices improved 8 percent (see Sales Price and Volume table on page 24). The Company experienced strong volume growth throughout the year with particularly strong demand in the performance segments. Both Performance Plastics and Performance Chemicals reported double-digit volume gains. From a geographic standpoint, volume was strong in all areas of the globe. Compared with last year, prices were significantly higher in the basic segments, driven by sharp increases in feedstock and energy costs throughout the year. Overall selling prices were depressed in 2000 by the negative impact of currency on sales in Europe, which reduced net sales by 4 percent.

Sales in the United States accounted for 39 percent of total sales in 2000 and 1999, compared with 40 percent in 1998. Sales and other information by operating segment and geographic area are provided in Note R to the Financial Statements.

2000 was a dynamic year for Dow. Continuing the strategic direction of the past few years, the Company completed several acquisitions and alliances, accelerated the implementation of Six Sigma, and continued its investment in research and development and growth initiatives. These actions are expected to significantly contribute to the Company's future earnings growth. Foremost among these is Dow's merger with Union Carbide, which was completed on February 6, 2001, following regulatory approval.

Heading into 2001, the macroeconomic trends are quite different from those of a year ago. This past year produced very high growth around the world. A slowdown in the United States and the potential impact of slower U.S. growth on the rest of the world economies are concerns for 2001. These concerns, coupled with the current environment of unprecedented increases in feedstock and energy costs in North America and highly volatile feedstock prices globally, give rise to a cautious outlook, at least for the first part of the year. Some recovery is anticipated starting mid-year. While some businesses or regions may continue to see strong demand, only modest overall growth is expected with the uncertain economic environment. The merger with Union Carbide and the realization of integration synergies will be at the forefront of Dow's focus for 2001, along with continued emphasis on cost control and management of working capital.

PERFORMANCE PLASTICS

Performance Plastics sales increased 10 percent to $6.1 billion in 2000, compared with $5.5 billion in 1999 and $5.3 billion in 1998. Volume increased 11 percent over 1999, while prices declined slightly. Sales in 1999 reflected a 9 percent volume gain with a 6 percent price decline versus 1998.

Earnings before Interest, Income Taxes and Minority Interests (EBIT) were $749 million in 2000, compared with $1.1 billion in 1999 and 1998. During 2000, EBIT decreased as higher feedstock costs and the negative impact of currency on sales in Europe more than offset volume growth, gains in local currency prices and the favorable results of Six Sigma efforts. In 1999, EBIT was maintained as volume growth and productivity improvements helped offset the effect of price declines.

In 2000, Dow Automotive was formed as the Company's first industry-focused business unit. Sales for this business were up 12 percent versus 1999 due to increased volume from global light vehicle production, especially in North America, which reached an all-time high in 2000. EBIT was down due to higher feedstock costs and increased expenditures for new business growth initiatives.

Engineering Plastics sales were up 16 percent compared with 1999. Industry demand remained very strong in all geographic areas, with polycarbonate leading the way. Volume increased 13 percent, led by growth in Asia Pacific. Two new product lines were announced in 2000: Amplify thermoplastic alloys and Emerge plastic resins. Both will deliver tailored compounds and blends for engineered applications in the information technology, appliance and automotive industries. Prices increased 3 percent, driven by tight supply and increased raw material costs. EBIT improved as volume growth and increased prices outpaced higher feedstock costs.

Epoxy Products and Intermediates posted an 11 percent increase in sales compared with 1999. Volume increased 9 percent, driven by a 15 percent increase in Asia Pacific. Derakane Momentum epoxy vinyl ester resin was launched in the global composites industry in 2000, with higher than expected industry acceptance. Prices were up 2 percent, with increases reported in most geographic areas. EBIT was down due to higher feedstock costs.

Fabricated Products sales improved slightly in 2000. Volume increased 5 percent, but prices continued to be under pressure globally and decreased 2 percent. The expanded polystyrene product line from Buna Sow Leuna Olefinverbund (BSL) contributed to the growth of the business. EBIT was down due to higher feedstock costs. In May 2000, Dow announced a strategic investment in Buildscape, Inc., a subsidiary of Riverside Group, Inc. Buildscape is focused on driving the growth of Web-enabled business solutions for the global residential and light commercial building and construction industry.

Polyurethane sales were up 10 percent in 2000 versus the prior year. Volume increased 13 percent, driven primarily by Dow's acquisition of two North American system house formulators, Flexible Products Company and General Latex, and by continued growth in Asia Pacific. While local prices increased in all geographic areas, prices overall decreased 3 percent due to the negative impact of currency on sales in Europe. Capacity expansion within the industry in 2000 resulted in a difficult pricing environment. EBIT was down due to higher feedstock costs.

Outlook for 2001

The Performance Plastics segment expects improved profitability in 2001, primarily led by volume growth in areas outside of North America, price stability and lower feedstock costs.

Sales volume growth for Dow Automotive is expected to continue in 2001, as stronger sales in Europe and Latin America reduce the impact of the projected softening in the North American automotive industry. In January 2001, the Dow Automotive business acquired the remaining 50 percent of Gurit-Essex AG (see Note C to the Financial Statements). Gurit-Essex AG is the largest European supplier of automotive adhesives, sealants and body engineered systems for the automotive OEM and aftermarket.

Engineering Plastics anticipates continuous growth in 2001 combined with a stable price environment. Some new industry capacity built in 2000 will come on stream in 2001 and will improve the very tight supply position, specifically in polycarbonate. Overall demand will continue to be driven by consumption in high-growth industries like the electronics and information technology industries, as well as the growth of traditional applications in emerging geographies.

Epoxy Products and Intermediates anticipates continued volume growth, led by Asia Pacific and Latin America, and continued price recovery in 2001.

Volume growth and stable pricing are expected to deliver higher sales for the Fabricated Products business in 2001. The continued recovery of markets in Asia Pacific, including Japan, will contribute to higher volumes. Production facility conversions in Europe to allow the use of alternative blowing agents will be completed in 2001, meeting environmental legislation requirements.

Polyurethane sales are expected to improve in 2001, on price increases driven by higher feedstock costs and volume growth in Asia Pacific and Latin America.

PERFORMANCE CHEMICALS

Performance Chemicals sales were $3.2 billion in 2000, a new record for the segment, compared with $2.8 billion in 1999 and 1998. Volume grew 15 percent, while prices declined 3 percent compared with 1999. The increase in volume included the full-year impact of the addition of ANGUS Chemical Company and the start-up of a new acrylic acid plant at BSL. Substantial volume growth was recorded in all geographic areas, with significant gains in Europe and Asia Pacific. Prices declined due to a highly competitive environment and the negative impact of currency on sales in Europe. Sales in 1999 reflected a 5 percent volume gain and a 3 percent price decline versus 1998.

EBIT in 2000 was $341 million versus $500 million in 1999 and $427 million in 1998. EBIT decreased in 2000 as margins were depressed by sharp increases in feedstock and energy costs. These increases were only partially offset by strong volume and continued productivity improvements. EBIT in 1999 increased as higher volume and productivity savings more than offset the impact of price declines.

Emulsion Polymers posted an 8 percent increase in sales versus the prior year. Volume increased 9 percent due to strong global demand for carpet and coated paper. Prices declined 1 percent. EBIT was down from last year due to significantly higher styrene monomer costs. In the second quarter of 2000, Penford Corporation licensed its patented starch copolymer technology to Dow for coated paper and other applications. This agreement will enhance Dow's ability to develop new products and applications for the global paper industry.

Oxide Derivatives sales were up 8 percent compared with 1999. Industry demand was strong in all geographic areas, led by glycol ethers and alkanolamines. Volume increased 8 percent, with double-digit growth in Europe and Asia Pacific. Prices were flat. EBIT declined due to the sharp increase in feedstock and energy costs.

Specialty Polymers sales increased 9 percent compared with 1999. Volume increased 12 percent, while prices declined 3 percent versus 1999. The increase in volume was primarily driven by the start-up of a new acrylic acid plant at BSL and very strong demand for FilmTec membranes. EBIT declined slightly in 2000 due to start-up costs for the acrylic acid plant and difficult competitive conditions for superabsorbent polymers.

Industrial Chemicals sales were up 6 percent in 2000 versus the prior year. Volume increased 11 percent, while prices declined 5 percent. The increase in volume included the full-year impact of the addition of the biocides business from ANGUS Chemical. Prices declined due to competitive pressures in surfactants and Versene chelating agents. EBIT was down due to higher feedstock and energy costs. Dow acquired Shell Chemicals' polyglycol lubricant business in the first quarter of 2000, giving Dow rights to complementary product and application technology, and added market access in the area of polyglycol synthetic lubricant raw materials for industrial and textile applications.

Water Soluble Polymers sales were down 5 percent compared with 1999. Volume increased 3 percent, while prices declined 8 percent. EBIT declined slightly in 2000 due primarily to lower selling prices.

Dow's Contract Manufacturing Services business entered into several new alliances during 2000. Dow and Diversa Corporation entered into an agreement in the fourth quarter of 2000 to jointly market their respective abilities to develop and produce chiral compounds for pharmaceuticals and other fine chemicals. In December 2000, Dow and Alchemia entered into a research and manufacturing alliance to develop manufacturing capabilities for carbohydrate-based pharmaceuticals and nutraceuticals.

Outlook for 2001

Performance Chemicals expects continued growth in 2001 due to increased demand and capacity additions at a number of the segment's operating facilities. However, challenging industry conditions due to volatile feedstock costs and a highly competitive environment will continue to be a concern.

Capacity additions are planned as follows: FilmTec Corporation will complete a 70 percent capacity expansion at its Minneapolis, Minnesota, site during 2001; Dow announced plans to expand capacity for Methocel cellulose ethers in Plaquemine, Louisiana, during 2001, and Stade, Germany, during 2002; and Emulsion Polymers has announced capacity expansions in Europe, Latin America and Asia Pacific to meet the growing demand for styrene-butadiene latex in the coated paper, carpet and specialty businesses.

AGRICULTURAL PRODUCTS

Sales of Agricultural Products for 2000 were $2.3 billion, flat compared with 1999, and down from $2.4 billion in 1998. Volume increased 5 percent versus 1999, but was offset by a decline in prices, which included the negative impact of currency in Europe. The volume increase reflects a shift in product mix from older, established products and reduced sales of chlorpyrifos in urban applications, to newer product lines including Sentricon Termite Colony Elimination System; Tracer Naturalyte insect control products; FirstRate, Strongarm and glyphosate herbicides; and Fortress fungicide. Additionally, volume was increased by two acquisitions in November 2000. Sales in 1999 reflected a price decline of 3 percent on flat volume, compared with 1998.

Results of Operations - Continued

EBIT was $212 million in 2000 versus $219 million last year, excluding 1999 unusual items. Unusual items in 1999 of $94 million were related to a cost reduction and business restructuring program (see Note B to the Financial Statements). The reorganization of Dow AgroSciences, which is expected to be completed in 2001, resulted in a cost reduction of $35 million in 2000, and will continue to have a favorable impact on operating costs in the future. Excluding unusual items, EBIT in 1999 was up 42 percent from $154 million in 1998. Unusual items in 1998 totaled $363 million and included charges for purchased in-process research and development related to acquisitions (see Note B to the Financial Statements). The improvement in EBIT in 1999 was primarily due to increased sales of new, higher-margin products and productivity improvements.

In 2000, agricultural commodity prices approached 30-year lows, reducing farmers' willingness and ability to buy chemicals to protect increasingly devalued crops. Also, despite consumer concerns, grower acceptance of genetically enhanced crops has been faster than expected in some geographies, reducing reliance on traditional crop-protection chemicals. Industry-wide consolidations further increased competition in the agricultural industry in 2000. There was also significant consolidation activity among U.S.-based agricultural product distributors.

In 2000, the U.S. Environmental Protection Agency announced restrictions on the uses of chlorpyrifos in urban applications. Dow AgroSciences announced a voluntary cancellation of most in-and-around-the-home uses of chlorpyrifos in North America, including use of the product as a full-barrier termiticide treatment in existing residential structures.

Three acquisitions were completed during 2000. In July, Dow AgroSciences acquired Empresa Brasileira de Sementes, expanding the Company's seed business in Brazil. In November, Zeneca Limited's acetochlor herbicide product line and assets of Cargill Hybrid Seeds were acquired. Acetochlor is a leading herbicide used by farmers around the world to control grasses and small-seeded broadleaf weeds in corn and other crops. The assets of Cargill Hybrid Seeds will be integrated into Mycogen, a wholly owned subsidiary of the Company, to form a larger and more efficient platform from which to launch biotechnology products.

During 2000, Dow AgroSciences expanded its manufacturing capacity to produce spinosad insect control products in Harbor Beach, Michigan, and its capacity to produce Telone soil fumigant in Freeport, Texas.

Outlook for 2001

No significant improvement in agricultural commodity prices is anticipated in 2001, and the industry is expected to become increasingly competitive as consolidations within the industry continue.

Dow AgroSciences is projecting continued strong growth in 2001 for its newer products. The acquisitions completed in 2000 will be fully integrated with existing operations in 2001 and are expected to result in increased sales. Improving economic conditions in Latin America, along with the anticipated strengthening of the Euro, are expected to increase profitability during the year.

PLASTICS

Plastics reported sales of $5.8 billion in 2000, up 22 percent from 1999, with volume growth of 7 percent and price improvement of 15 percent. The most significant increases occurred in the first half of the year. Sales in 1999 were $4.7 billion, up from $4 billion in 1998, as volume increased 16 percent and prices improved 1 percent.

EBIT increased 61 percent in 2000 to $1 billion, despite abnormally high feedstock and energy costs and the downturn in volume and prices in the second half of the year. EBIT in 1999 was $636 million, up from $607 million in 1998 as stronger volume offset higher feedstock costs.

Polyethylene sales increased 17 percent in 2000. Volume grew 8 percent, while prices improved 9 percent with increases in all geographic areas. After strong demand in the first quarter, there was a marked slowdown beginning mid-year as customers reduced inventories, putting downward pressure on prices. Despite this price erosion and the surging feedstock and energy costs, the Polyethylene business posted a substantially higher EBIT in 2000 compared with 1999. In December 2000, Dow started up a new solution polyethylene plant in Bahia Blanca, Argentina, to meet the strong demand for polyethylene resins in Latin America. Dow now has the capability to produce solution polyethylene products via Insite Technology in all geographic areas.

Polystyrene sales increased 31 percent compared with 1999. Prices rose significantly in the first half of 2000, driven by rising feedstock and benzene costs, and a tight supply of styrene monomer due to significant plant turnarounds in the industry in the second quarter. Volume was down slightly for the year due to limited availability of styrene in the first half and soft industry demand in the second half. The introduction of Styron A-Tech advanced technology resins progressed well in 2000, with nine new products launched. EBIT increased substantially over 1999 as price increases, expense reductions and the favorable impact of Six Sigma efforts more than offset higher feedstock costs.

Polypropylene sales improved more than 40 percent in 2000, with a 22 percent increase in volume. Prices followed increases in propylene costs and peaked in the second and third quarters. Capacity utilization within the industry dropped in the United States and Europe as new units began production and demand growth slowed. In the fourth quarter of 2000, Dow started up a polypropylene plant in Freeport, Texas, its first in North America. The Polypropylene business launched its first commercial product in the Inspire performance polymer product line in mid-2000. This differentiated polymer targets the blown-films business. Future products in this line will target other non-traditional polypropylene businesses.

In the fourth quarter of 2000, Dow and Mitsui Chemicals, Inc. announced a joint development program under which Mitsui will develop markets in Japan for ethylene styrene interpolymers (ESI), a new and novel family of thermoplastic polymers made using Insite Technology.

Outlook for 2001

Volume increases are expected in the Plastics segment for 2001 and, given the highly competitive environment and fluctuating feedstock and energy costs, prices will likely be volatile. Consolidations within the polyethylene industry are expected to continue. The Latin American polystyrene industry will be highly competitive as new capacity comes on line from several industry players. Dow expects to complete the modernization of its polystyrene facility in Brazil, with new capacity coming on line in the fourth quarter. Capacity utilization of polypropylene units is expected to rise, as demand growth continues and no new capacity expansions within the industry are planned after mid-year 2001.

CHEMICALS

Chemicals sales were $2.9 billion in 2000, compared with $2.6 billion in 1999 and 1998. Prices increased 14 percent versus 1999, primarily due to increases in vinyl chloride monomer (VCM) prices. Volume was down 2 percent in the year. In 1999, prices decreased 3 percent while volume increased 1 percent. Excluding the impact of the shutdown of the magnesium business in 1998, volume was up 7 percent in 1999.

EBIT was $539 million in 2000, up from $424 million in 1999, primarily due to higher VCM, ethylene dichloride (EDC) and caustic soda prices, partially offset by higher feedstock and energy costs. EBIT in 1999 was up from $361 million in 1998 (excluding unusual items) due to increased operational reliability and the absence of the magnesium business. Unusual items of $168 million in 1998 included a write-off related to the shutdown of the magnesium business and environmental remediation costs.

Prices for propylene oxide and propylene glycol (PO/PG) decreased compared with 1999, as volume increased marginally. Prices for ethylene oxide and ethylene glycol (EO/EG) increased over 1999, while volume fell. Margins improved as higher selling prices more than offset the rising cost of ethylene.

Chlorinated organics volume, although solid throughout 2000, was relatively flat versus 1999. A decline in demand in Asia Pacific, as well as planned plant shutdowns for maintenance, limited volume growth.

Favorable polyvinyl chloride (PVC) supply/demand balances in the first half of 2000 pushed both EDC and VCM pricing and volume to peak historical levels in June. Slower demand and lower prices later in the year resulted in significant reductions in VCM and chlor-alkali operating rates in the second half of 2000.

Chlorine prices continued to increase in the first half of 2000, but finished the year on a downward trend. Caustic soda pricing began a steady decline at the end of the first quarter and bottomed in the third quarter. A shortage of caustic soda caused by the lower operating rates resulted in a rebound in prices in the fourth quarter. At the end of the year, prices were on an upward trend for caustic soda and a downward trend for chlorine.

In 2000, Dow added new chlor-alkali capacity in Freeport, Texas, to support chlorine derivative growth, and new capacity for PO in Freeport, Texas, and Plaquemine, Louisiana.

Outlook for 2001

The Chemicals segment is anticipating a challenging year in 2001, with higher hydrocarbon and energy costs amid a slowing economy. Caustic soda prices are expected to increase throughout the year until a significant rebound in chlor-alkali operating rates, driven by increasing demand in key chlorine derivative industries, occurs.

For PO/PG, volume is expected to be down slightly. Prices are anticipated to be stable and energy costs higher in 2001. For EO/EG, prices are expected to be up slightly, with volume down over 2000. Expanding capacities will continue to create a challenging competitive environment for PO and EO.

Economic slowdowns in North America and Europe are expected to reduce demand for both EDC and VCM in the first half of 2001. Low year-end 2000 inventory levels and higher than normal hydrocarbon feedstock and energy costs are expected to keep EDC and VCM pricing from reaching bottom- of-the-cycle levels. A capacity expansion for VCM is expected to start up in fourth quarter 2001 in Oyster Creek, Texas.

HYDROCARBONS AND ENERGY

Hydrocarbons and Energy sales were $2.4 billion in 2000, compared with $1.7 billion in 1999 and $1.5 billion in 1998. Compared with 1999, prices increased 44 percent while volume grew 2 percent. The strong increase in selling prices reflected rapid price improvements that started in the second half of 1999. Driven by sharp increases in the cost of crude oil and related hydrocarbon feedstocks, sales prices continued upward during the first half of 2000 and declined at year-end as the supply/demand situation became more balanced. In 1999, this segment experienced an 11 percent increase in prices on flat volume versus 1998.

The Hydrocarbons and Energy business transfers materials to Dow's derivative businesses at cost. EBIT was $121 million in 2000 versus a loss of $5 million in both 1999 and 1998. EBIT in 2000 included a pretax gain of $98 million on the sale of the Cochin pipeline system (see Note C to the Financial Statements).

Compared with 1999, the Company's cost of feedstock and energy materials in 2000 increased $2.5 billion, more than 50 percent, due to price. Crude oil prices have continued to rise over the past two years, from $11 per barrel in December 1998 to more than $34 per barrel during the third quarter of 2000, before falling back to $30 per barrel in December. Low natural gas storage levels caused the average price for natural gas on the U.S. Gulf Coast to increase from $2.50 per million Btu to approximately $10 per million Btu at the end of the year, which in turn pushed ethane prices to historical highs. European energy purchase prices, however, were substantially below U.S. levels due to the effects of deregulation and contractual ties to crude oil. The impact of these cost increases on Dow's overall costs was mitigated through effective hedging and other feedstock management efforts.

In the first quarter of 2000, an incremental expansion at the Freeport, Texas, light-hydrocarbon plant was completed. With the consolidation of BSL in June 2000, hydrocarbon capacity was expanded by the addition of an ethylene cracker and plants to produce benzene and butadiene.

Outlook for 2001

Crude oil and feedstock prices are expected to be slightly below 2000 average levels. Dow's overall energy costs for 2001 are expected to increase, driven by high natural gas prices in North America.

The global supply of ethylene is expected to be greater than demand due to plant start-ups in North America and the Middle East in 2000 and 2001. Styrene prices are expected to be at a low point in the first quarter of 2001 and rise throughout the year. Propylene prices are expected to be flat compared with 2000.

In the fourth quarter of 2000, Dow's joint venture with Repsol-YPF and Petrobras completed construction of a natural gas fractionator to process and store natural gas derivatives in Bahia Blanca, Argentina. The plant is scheduled to start production in March 2001. Dow will begin production at a new light-hydrocarbon cracker in Bahia Blanca, Argentina, in the first quarter of 2001, to be fed with ethane from the natural gas fractionator. In addition, an expansion of the Company's ethylene complex in Terneuzen, The Netherlands, is planned for the fourth quarter of 2001.

UNALLOCATED AND OTHER

Sales were $323 million in 2000, $337 million in 1999 and $771 million in 1998. Sales in 2000 were down due to the reassignment of Safripol results to the Plastics segment after Dow obtained full ownership during 1999. Sales decreased in 1999 versus 1998 primarily due to the divestiture of Radian International LLC and the reassignment of Safripol results.

EBIT was $(196) million in 2000, compared with $(256) million in 1999 and $264 million in 1998. Included in these results are research and other expenses related to developmental activities in Growth Platforms, overhead and other cost variances not allocated to the operating segments, results of insurance and finance company operations, sales of financial assets, and the results of several small diversified businesses acquired through Dow's acquisition of Sentrachem Limited. EBIT in 2000 increased as lower stock-based compensation expenses, gains on sales of financial assets, and positive variances from budgets for overhead expenses were partially offset by the recognition of the anticipated loss on the disposition of certain businesses (required for regulatory approval of Dow's merger with Union Carbide), merger-related expenses, and less favorable insurance and finance company results. EBIT in 1999 decreased significantly versus 1998, primarily due to a pretax gain of $816 million on the sale of DowBrands in 1998 that was partially offset by asset write-downs and other special charges (primarily severance costs) totaling $357 million (see Notes B and C to the Financial Statements).

Results of Operations - Continued

Sales Price and Volume

Percent change from prior year	*2000* Price	*2000* Volume	*2000* Total	*1999* Price	*1999* Volume	*1999* Total	*1998* Price	*1998* Volume	*1998* Total
Operating Segments:									
Performance Plastics	(1)%	11%	10%	(6)%	9%	3%	(5)%	3%	(2)%
Performance Chemicals	(3)	15	12	(3)	5	2	(4)	11	7
Agricultural Products	(4)	5	1	(3)	-	(3)	(2)	13	11
Plastics	15	7	22	1	16	17	(15)	7	(8)
Chemicals	14	(2)	12	(3)	1	(2)	(16)	(1)	(17)
Hydrocarbons and Energy	44	2	46	11	-	11	(19)	(12)	(31)
All Segments	8%	7%	15%	(2)%	5%	3%	(9)%	2%	(7)%
Geographic Areas:									
United States	8%	5%	13%	(1)%	2%	1%	(7)%	(8)%	(15)%
Europe	7	8	15	(4)	6	2	(12)	16	4
Rest of World	10	9	19	(2)	9	7	(12)	4	(8)
All Areas	8%	7%	15%	(2)%	5%	3%	(9)%	2%	(7)%

Price includes the impact of currency.

COMPANY SUMMARY

Earnings before Interest, Income Taxes and Minority Interests (EBIT)

EBIT for the Company was $2.8 billion in 2000, compared with $2.5 billion in 1999 and $2.4 billion in 1998. Excluding unusual items, EBIT for 2000 was up 8 percent from 1999 as increased selling prices, strong volume gains, improved contributions from joint ventures around the world, and the favorable impact of currency on costs more than offset a greater than 50 percent increase in feedstock and energy costs. These results demonstrate the value of Dow's diverse business portfolio and geographic presence. EBIT in 2000 was increased by unusual items totaling $11 million. These items included a pretax gain of $98 million on the sale of the Cochin pipeline system, offset by purchased in-process research and development (IPR&D) costs of $6 million related to the acquisition of Flexible Products, and recognition of the anticipated loss on the disposition of certain businesses required for regulatory approval of Dow's merger with Union Carbide. EBIT in 1999 was negatively impacted by two unusual items: IPR&D costs of $6 million associated with the acquisition of ANGUS Chemical and a special charge of $94 million for a cost reduction and business restructuring program at Dow AgroSciences. EBIT in 1998 was reduced by the net impact of several unusual items: a pretax gain of $816 million on the sale of DowBrands, IPR&D costs of $349 million, special charges of $458 million and environmental remediation costs of $120 million. See Note B to the Financial Statements for a discussion of IPR&D costs and special charges.

Gross margin for 2000 improved $119 million versus 1999, as increased selling prices, volume growth and cost reductions more than offset an increase in feedstock and energy costs of $2.5 billion. Gross margin for 1999 was flat compared with 1998, as volume growth and cost reductions were offset by the negative impact of lower prices of $375 million and higher hydrocarbon and energy costs of $540 million.

Operating Costs and Expenses

Cost components as a percent of total	*2000*	*1999*	*1998*
Hydrocarbons and energy	35%	26%	22%
Salaries, wages and employee benefits	15	18	19
Maintenance	4	4	4
Depreciation	5	6	7
Supplies, services and other raw materials	41	46	48
Total	100%	100%	100%

Dow's global plant operating rate was 86 percent of capacity in 2000 versus 89 percent in 1999 and 86 percent in 1998. Depreciation expense was $1.1 billion in 2000, relatively flat with 1999 and down from $1.2 billion in 1998.

Operating expenses (research and development, and selling, general and administrative expenses) were $2.5 billion in 2000, compared with $2.4 billion in 1999. The increase reflects the Company's support of new business growth initiatives and recent acquisitions. Excluding growth initiatives and acquisitions, operating expenses were down 3 percent from last year. Operating expenses in 1998 were $2.5 billion.

Earnings before Interest, Income Taxes and Minority Interests (EBIT) - Continued

Research and development expenses were $892 million in 2000, up 6 percent from $845 million in 1999 and 11 percent from $807 million in 1998, reflecting the Company's ongoing investment in biotechnology research and other growth initiatives. This upward trend is expected to continue as the Company implements its strategy for growth.

Selling, general and administrative expenses of $1.6 billion for 2000 were up 3 percent from $1.5 billion in 1999, but down 5 percent from $1.7 billion in 1998. Selling, general and administrative expenses represented 7 percent of sales in 2000, 8 percent in 1999 and 9 percent in 1998.

Dow's share of the earnings of nonconsolidated affiliates in 2000 amounted to $271 million, up from $82 million in 1999 and $64 million in 1998. The increase reflects improved earnings in several of the Company's joint ventures around the world, including strong performance by several plastics joint ventures in Asia Pacific and Latin America, improved results from several hydrocarbons joint ventures in North America, and final resolution of BSL matters related to the reconstruction period. Through May 2000, equity earnings included the Company's share of the financial results of BSL during the reconstruction period. On June 1, 2000, BSL became a wholly owned subsidiary of the Company, after which the financial results of BSL were fully consolidated (see Note C to the Financial Statements). From the first quarter of 1995 through the third quarter of 2000, the Company recorded and reserved its share of equity earnings in Dow Corning due to Dow Corning's filing for bankruptcy protection under Chapter 11 and the uncertainty of the recovery of that asset. Beginning in the fourth quarter of 2000, the Company is no longer reserving its share of Dow Corning's earnings. See Note P to the Financial Statements for further discussion of Dow Corning's breast implant litigation.

Sundry income represents a variety of income and expense items, including the gain or loss on foreign currency exchange, and gains and losses on sales of investments and assets. Prior to 2000, sundry income also included royalty income. Beginning in 2000, royalty income was included in net sales, reflecting the formation of a licensing business group. Sundry income for 2000 was $309 million, compared with $261 million in 1999 and $916 million in 1998, which included a pretax gain of $816 million on the sale of DowBrands.

Personnel count was 41,943 at December 31, 2000, 39,443 at the end of 1999 and 39,029 at the end of 1998. The increase in 2000 over 1999 resulted from the addition of new employees acquired through several acquisitions, most notably the consolidation of BSL in June 2000, which added approximately 2,400 employees. The increase in personnel count in 1999 over 1998 occurred late in the year with the addition of approximately 500 employees from the acquisition of ANGUS Chemical.

Net Income

Net income available for common stockholders in 2000 was $1.5 billion or $2.22 per share, compared with $1.3 billion or $1.98 per share in 1999 and $1.3 billion or $1.92 per share in 1998. 2000 results included a pretax gain of $98 million on the sale of the Cochin pipeline system, offset by IPR&D costs related to the acquisition of Flexible Products and recognition of the anticipated loss on the disposition of certain businesses required for regulatory approval of Dow's merger with Union Carbide. These unusual items had no net impact on earnings per share in 2000.

The following table summarizes the impact of unusual items on diluted earnings per common share:

	2000	*1999*	*1998*
Impact of divestitures and IPR&D	$0.00	-	-
Impact of Dow AgroSciences' special charge and IPR&D	-	$(0.10)	-
Impact of sale of DowBrands, IPR&D and other unusual charges	-	-	$(0.10)
Earnings excluding unusual items	2.22	2.08	2.02
Earnings per common share - diluted	$2.22	$ 1.98	$ 1.92

Interest income in 2000 was $119 million, down slightly from $121 million in 1999 and down 14 percent from $139 million in 1998. The continued decline in interest income reflects a decrease in short-term investments, resulting from the Company's use of cash for acquisitions. Significant acquisitions are discussed in Note C to the Financial Statements.

Interest expense (net of capitalized interest) and amortization of debt discount were $507 million in 2000, compared with $431 million in 1999 and $493 million in 1998. Interest expense was up versus last year due to an increase in total debt and an increase in short-term interest rates. Interest expense was down in 1999 from 1998 due principally to lower average levels of short-term borrowings resulting from the use of proceeds from the issuance of preferred securities of a subsidiary to reduce commercial paper (see Note K to the Financial Statements).

The provision for income taxes was $823 million in 2000 versus $766 million in 1999 and $685 million in 1998. Dow's overall effective tax rate for 2000 was 34.3 percent, compared with 35.4 percent for 1999 and 34 percent for 1998. U.S. and other tax law and rate changes during the year did not have a material impact on Dow, except in Germany. The underlying factors affecting Dow's overall effective tax rates are summarized in Note D to the Financial Statements.

Net Income - Continued

Minority interests' share of net income in 2000 was $65 million, relatively flat with $69 million in 1999, and up from $17 million in 1998. The increase in minority interest for 1999 over 1998 included increased earnings for Estireno do Nordeste S.A., the preferred dividends of a newly formed consolidated foreign subsidiary of the Company, and the impact of completing the acquisition of Mycogen (see Notes C and K to the Financial Statements).

Liquidity and Capital Resources

Operating activities provided $1.2 billion in cash in 2000, compared with $3 billion in 1999 and $2.9 billion in 1998 (see Consolidated Statements of Cash Flows). Three items contributed to the decrease in cash provided by operating activities in 2000. Accounts receivable increased in 2000 due to higher sales. The year-over-year increase in accounts receivable was also affected by higher sales of U.S. trade receivables at year-end 1999. Inventory balances at December 31, 2000 increased due to higher feedstock costs and a slowdown in sales volume late in the fourth quarter, compared with 1999 year-end inventory balances that were lower due to increased customer demand late in the year. The consolidation of BSL and other acquisitions in 2000 resulted in a large impact on the change in other assets and liabilities affecting cash.

For 2000, additional cash of $1.5 billion was generated by sales of available-for-sale securities in excess of purchases of similar securities. Additional cash was provided in 1999 by the issuance of $500 million in preferred securities by a newly formed consolidated foreign subsidiary, a 30-year debenture issuance of $1 billion, the sale of 10.5 million shares of common stock for $431 million, and the sale of U.S. trade receivables totaling $200 million late in the fourth quarter.

Cash was used in 2000 for acquisitions (including Flexible Products, General Latex, the remaining 20 percent of BSL, and certain assets of Zeneca Limited and Cargill Hybrid Seeds), to reduce long-term debt, to pay dividends, and for capital expenditures and other normal business activities. Cash was used in 1999 to acquire ANGUS Chemical, to reduce short-term debt, to repurchase shares of the Company's common stock, to exercise Schlumberger Ltd. warrants, and for capital expenditures and other normal business activities.

Total working capital at year-end was $1.4 billion versus $2.6 billion at the end of 1999. Cash, cash equivalents, marketable securities and interest-bearing deposits decreased $908 million in 2000 due primarily to the use of funds for acquisitions. Inventories and trade receivables increased $919 million. Days-sales-in-inventory for 2000 were 81 days, up from 66 days in 1999 and 74 days in 1998. Days-sales-outstanding-in-receivables were 43 days in 2000, 44 days in 1999 and 49 days in 1998. At December 31, 2000, goodwill was $1.9 billion, a net increase of $53 million from year-end 1999.

Short-term borrowings of $1.3 billion at December 31, 2000 were up from $692 million at year-end 1999 due to an increase in commercial paper to fund acquisitions. Long-term debt due within one year was $311 million, down $32 million from year-end 1999. Long-term debt due in 2001 will be funded by operating cash flows.

Long-term debt at year-end was $4.9 billion, down from $5 billion at year-end 1999. During the year, $384 million of new long-term debt was incurred and $424 million of long-term debt was retired.

Total debt was $6.5 billion at year-end compared with $6.1 billion at December 31, 1999. Net debt, which equals total debt less cash, cash equivalents, marketable securities and interest-bearing deposits, was $6.2 billion at December 31, 2000, up from $4.8 billion last year due to the use of funds for acquisitions. Debt as a percent of total capitalization was 39.3 percent at the end of 2000, down from 39.5 percent at year-end 1999.

During the three years prior to 2000, the Company repurchased 94.1 million shares of its common stock as part of its overall stock repurchase program; and at year-end 1999, net shares outstanding had been reduced by 19 percent since the beginning of 1995. Due to the merger with Union Carbide, the Company's 1997 authorization to repurchase Dow stock was terminated by the Board of Directors on August 3, 1999. In December 1999, the Company sold 10.5 million shares of common stock held in treasury in the open market to facilitate the accounting treatment of the merger with Union Carbide as a pooling of interests, which was a condition to the completion of the merger (see Note L to the Financial Statements).

At December 31, 2000, the Company had unused and available credit facilities with various U.S. and foreign banks totaling $3.1 billion in support of its working capital requirements and commercial paper borrowings. Additional unused credit facilities totaling $1.1 billion were available for use by foreign subsidiaries. At December 31, 2000, there was a total of $1.2 billion in available SEC registered securities.

Capital Expenditures

Capital spending for the year was $1.3 billion, down 4 percent from $1.4 billion in 1999 and down 13 percent from $1.5 billion in 1998. In 2000, approximately 43 percent of the Company's capital expenditures was directed toward additional capacity for new and existing products, compared with 52 percent in 1999. Approximately 15 percent was committed to projects related to environmental protection, safety, loss prevention and industrial hygiene, compared with 12 percent in 1999. The remaining capital was utilized to maintain the Company's existing asset base, including projects related to productivity improvements, energy conservation and facilities support.

Major projects underway during 2000 included a new polypropylene plant and expansions of production facilities for chlorine and caustic soda, ethylene, vinyl chloride monomer, and ethylene dichloride in Freeport, Texas. Because the Company designs and builds most of its capital projects in-house, it had no material capital commitments other than for the purchase of materials from fabricators.

Dividends

In order to comply with the terms of the merger agreement with Union Carbide, the Company announced on January 31, 2001 that pro rata dividends would be paid to Dow stockholders for the first quarter of 2001. Due to the closing of the merger on February 6, 2001, two pro rata dividends will be paid as follows:

- A pro rata dividend of 12.11 cents per share related to the pre-merger period, payable on March 1, 2001 to stockholders of record on February 5, 2001
- A pro rata dividend of 16.89 cents per share related to the post-merger period, payable on April 30, 2001 to stockholders of record on March 30, 2001

The two pro rata dividends together equal Dow's current quarterly dividend rate of 29 cents per share. This will be the 357th consecutive quarter in which the Company has issued a dividend. Since 1912, Dow has maintained or increased the quarterly dividend. In each of the last three years, the Company declared dividends of $1.16 per share.

OTHER MATTERS

Environmental Matters

Dow is committed to world-class environmental, health and safety (EH&S) performance, as demonstrated by a long-standing commitment to Responsible Care and progress made toward the Company's EH&S Goals for 2005. In 1996, Dow publicly announced its voluntary global EH&S 2005 Goals — ambitious performance targets to measure progress toward sustainable development, including targets to reduce chemical emissions, waste and wastewater by 50 percent. Equally aggressive are Dow's EH&S 2005 Goals to reduce leaks, spills, fires, explosions, work-related injuries and transportation incidents by 90 percent. Dow continues to work aggressively toward attainment of these goals. More information on Dow's performance can be found in Dow's 2000 Public Report and quarterly updates on the Internet at www.dow.com.

To meet the Company's public commitments, as well as the stringent laws and government regulations related to environmental protection and remediation to which its global operations are subject, Dow has well-defined policies, requirements and management systems. Dow's EH&S Management System (EMS) defines for the businesses "the who, what, when and how" needed to achieve the Company's policies, requirements, performance objectives, leadership expectations and public commitments. EMS is also designed to minimize the long-term cost of environmental protection and to comply with these laws and regulations. Furthermore, EMS is integrated into a companywide Management System for EH&S, Operations, Quality and Human Resources, including implementation of a new global EH&S Work Process to improve EH&S performance and to ensure ongoing compliance worldwide. It is Dow's stated EH&S policy that all global operations and products meet Dow's requirements or their country's laws and regulations, whichever is more stringent.

It is also Dow's policy to adhere to a waste management hierarchy that minimizes the impact of wastes and emissions on the environment. First, Dow works to eliminate or minimize the generation of waste and emissions at the source through research, process design, plant operations and maintenance. Second, Dow finds ways to reuse and recycle materials. Finally, unusable or non-recyclable hazardous waste is treated before disposal to eliminate or reduce the hazardous nature and volume of the waste. Treatment may include destruction by chemical, physical, biological or thermal means. Disposal of waste materials in landfills is considered only after all other options have been thoroughly evaluated. Dow has specific requirements for wastes that are transferred to non-Dow facilities.

Dow believes third-party verification is a cornerstone of world-class EH&S performance and building public trust. Dow sites in Europe, Latin America, Australia and North America have received third-party verification of Dow's compliance with Responsible Care and with outside specifications such as ISO-14001. To date, six European sites have been ISO-14001 certified. In March 1999, three U.S. manufacturing sites and the global headquarters in Midland voluntarily participated in a third-party Responsible Care Management Systems Verification (MSV) to ensure that Dow has the processes and systems in place to reach the highest standards of EH&S excellence worldwide. Dow's MSV results can be found on the Internet at www.dow.com. Also, in 2000, Dow's Canadian sites successfully completed their second third-party Responsible Care systems and performance assessment in the past five years.

Dow looks to a combination of leadership, performance improvement goals, well-defined EMS's, and third-party verification and involvement to minimize environmental risks and impacts, both past and future. The following paragraphs outline some of these potential exposures and how they are managed to minimize environmental impact and overall costs.

Environmental Matters - Continued

Dow accrues the costs of site remediation for its facilities based on current law and existing technologies. In the case of a landfill, Dow recognizes the costs over the useful life of the facility. The nature of such remediation includes the cleanup of soil contamination and the closure of landfills and other waste management facilities. The policies adopted to properly reflect the monetary impacts of environmental matters are discussed in Note A to the Financial Statements. To assess the impact on the financial statements, environmental experts review currently available facts to evaluate the probability and scope of potential liabilities. Dedicated Dow joint ventures provide strategic management to identify cost-effective solutions for certain remediation liabilities at Dow's U.S. manufacturing locations. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies for handling site remediation and restoration. These liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available.

Dow is named as a potentially responsible party (PRP) under federal or state Superfund statutes at approximately 25 active sites. Dow readily cooperates in remediation where the Company's liability is clear, thereby minimizing legal and administrative costs. This approach, coupled with Dow's long-standing preference for on-site waste treatment, has minimized the number of Superfund sites in which Dow is involved.

Because current law imposes joint and several liability upon each party at a Superfund site, Dow has evaluated its potential liability in light of the number of other companies that have also been named PRPs at each site, the estimated apportionment of costs among all PRPs, and the financial ability and commitment of each to pay its expected share. Management's estimate of the Company's remaining liability for the remediation of Superfund sites at December 31, 2000 was $9 million, which has been accrued, although the ultimate cost with respect to these sites could exceed that amount. In addition, receivables of $13 million for probable recoveries from other PRPs have been recorded related to Superfund sites.

In addition to the Superfund-related liability, Dow had accrued liabilities of $316 million at December 31, 2000 related to the remediation of current or former Dow-owned sites. The Company has not recorded as a receivable any third-party recovery related to these sites. In November 1999, Dow filed a lawsuit against several of its insurers seeking recovery of remediation costs at certain current or former Dow-owned sites.

In total, Dow's accrued liability for probable environmental remediation and restoration costs was $325 million at December 31, 2000, compared with $368 million at the end of 1999. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. It is the opinion of Dow management that the possibility is remote that costs in excess of those accrued or disclosed will have a material adverse impact on the Company's consolidated financial statements.

The amounts charged to income on a pretax basis related to environmental remediation totaled $48 million in 2000, $53 million in 1999 and $149 million in 1998. Capital expenditures for environmental protection were $132 million in 2000, $112 million in 1999 and $72 million in 1998.

Euro Conversion

On January 1, 1999, the Euro was adopted as the national currency of 11 European Union member nations. During a three-year transition period, the Euro is being used as a non-cash transactional currency. The Company began conducting business in the Euro on January 1, 1999. Effective January 1, 2001, the Company has completed its change of functional currencies for its subsidiaries operating in the participating member nations from the national currency to the Euro. The conversion to the Euro has not had an operational impact on the Company or an impact on the results of operations, financial position, or liquidity of its European businesses.

Subsequent Events

On January 10, 2001, Dow acquired the 50 percent interest in Gurit-Essex AG that it did not previously own, doubling the Company's automotive adhesives, sealants and body engineered systems business. Gurit-Essex AG is the largest European supplier of these products and services for the automotive OEM and aftermarket. See Note C to the Financial Statements.

The Company completed its merger with Union Carbide on February 6, 2001 after receiving clearance from the U.S. Federal Trade Commission. With the completion of the merger, Dow becomes the world's leading chemicals, plastics and agricultural products company. The combination of these two companies strengthens and broadens Dow's product portfolio and further extends its global reach. This financial report, including forward-looking statements, does not reflect the effects of the merger. Historical financial information will be restated in future reports to include Union Carbide. Further, and as noted in the Company's Form S-4 registration statement filed with the U.S. Securities and Exchange Commission on October 5, 1999, it is expected that the combined company will incur a one-time charge for severance and other restructuring costs, although it is not currently possible to determine the magnitude of such costs since their extent and nature are still being considered by management. See Notes C and S to the Financial Statements.

On March 8, 2001, Dow announced it had reached an agreement to acquire Rohm and Haas's Agricultural Chemicals business, including working capital, for $1 billion. The transaction is expected to close in second quarter 2001, subject to regulatory approvals.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Dow's business operations give rise to market risk exposure due to changes in foreign exchange rates, interest rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate the adverse effects of financial market risk. A secondary objective is to add value by creating additional exposure within established limits and policies. The potential impact of creating such additional exposures is not material to the Company's results.

The global nature of Dow's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global basis, the Company has assets, liabilities and cash flows in currencies other than the U.S. dollar. The primary objective of the Company's foreign exchange risk management is to optimize the U.S. dollar value of net assets and cash flows, keeping the adverse impact of currency movements to a minimum. To achieve this objective, the Company hedges on a net exposure basis using foreign currency forward contracts and over-the-counter option contracts. Main exposures are related to assets and liabilities denominated in the currencies of Europe, Asia Pacific and Canada; bonds denominated in foreign currencies — mainly the Euro and Japanese yen; and economic exposure derived from the risk that currency fluctuations could affect the U.S. dollar value of future cash flows. The majority of the foreign exchange exposure is related to European currencies and the Japanese yen.

The main objective of interest rate risk management is to reduce the total funding cost to the Company and to alter the interest rate exposure to the desired risk profile. Dow uses interest rate swaps, "swaptions," and exchange traded instruments to accomplish this objective. The Company's primary exposure is to the U.S. dollar yield curve.

Inherent in Dow's business is exposure to price changes for several commodities. Some exposures can be hedged effectively through liquid tradable financial instruments. Cracker feedstocks and natural gas constitute the main commodity exposures. Over-the-counter and exchange traded instruments are used to hedge these risks when feasible. The risk of these hedging instruments was not material in 1999.

Dow has a portfolio of equity securities derived from its acquisition and divestiture activity. This exposure is managed in a manner consistent with the Company's market risk policies and procedures.

Dow uses value at risk (VAR), stress testing and scenario analysis for risk measurement and control purposes. VAR estimates the potential gain or loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels. On an ongoing basis, the Company estimates the maximum gain or loss that could arise in one day, given a two-standard-deviation move in the respective price levels. These amounts are relatively insignificant in comparison to the size of the equity and earnings of the Company. The VAR methodology used by Dow is based primarily on the variance/covariance statistical model. The following table is given as an example:

Average Daily VAR at December 31*

In millions	2000	1999
Foreign exchange	$ 7	$ 5
Interest rate	31	40
Equity exposures, net of hedges	24	13
Commodities	28	-

*Using a 95 percent confidence level

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management Statement of Responsibility

The management of The Dow Chemical Company and its subsidiaries prepared the accompanying consolidated financial statements and has responsibility for their integrity, objectivity and freedom from material misstatement or error. These statements were prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the financial statements. The Board of Directors, through its Audit Committee, assumes an oversight role with respect to the preparation of the financial statements.

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. Management has established and maintains internal controls that provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting.

Internal controls provide for appropriate division of responsibility and are documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and updated as necessary. Management continually monitors internal controls for compliance. The Company maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements.

Deloitte & Touche LLP, independent auditors, with direct access to the Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company, and their report follows.

Management has considered recommendations from the internal auditors and Deloitte & Touche LLP concerning internal controls and has taken actions that are cost-effective in the circumstances to respond appropriately to these recommendations. Management further believes the controls are adequate to accomplish the objectives discussed herein.

Independent Auditors' Report

To the Stockholders and Board of Directors of The Dow Chemical Company:

We have audited the accompanying consolidated balance sheets of The Dow Chemical Company and its subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed at Item 14(a)2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Dow Chemical Company and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
Midland, Michigan
February 6, 2001

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Income

In millions except for per share amounts	*2000*	*1999*	*1998*
Net Sales	$23,008	$19,989	$19,442
Cost of sales	18,262	15,362	14,800
Research and development expenses	892	845	807
Selling, general and administrative expenses	1,582	1,530	1,666
Amortization of intangibles	125	146	88
Purchased in-process research and development charges	6	6	349
Special charges	-	94	458
Insurance and finance company operations, pretax income	68	127	112
Equity in earnings of nonconsolidated affiliates	271	82	64
Sundry income - net	309	261	916
Earnings before Interest, Income Taxes and Minority Interests	2,789	2,476	2,366
Interest income	119	121	139
Interest expense and amortization of debt discount	507	431	493
Income before Income Taxes and Minority Interests	2,401	2,166	2,012
Provision for income taxes	823	766	685
Minority interests' share in income	65	69	17
Preferred stock dividends	-	5	6
Net Income Available for Common Stockholders	$1,513	$1,326	$1,304
Share Data			
Earnings per common share - basic	$2.24	$2.01	$1.94
Earnings per common share - diluted	$2.22	$1.98	$1.92
Common stock dividends declared per share	$1.16	$1.16	$1.16
Weighted-average common shares outstanding - basic	676.0	660.2	670.6
Weighted-average common shares outstanding - diluted	683.0	673.3	681.8

See Notes to Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Balance Sheets

In millions, at December 31	*2000*	*1999*
Assets		
Current Assets		
Cash and cash equivalents	$215	$506
Marketable securities and interest-bearing deposits	89	706
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2000: $92; 1999: $107)	2,873	2,631
Other	2,512	1,983
Inventories:		
Finished and work in process	2,839	2,264
Materials and supplies	624	522
Deferred income tax assets - current	108	235
Total current assets	9,260	8,847
Investments		
Investment in nonconsolidated affiliates	1,088	1,359
Other investments	2,431	2,872
Noncurrent receivables	520	390
Total investments	4,039	4,621
Property		
Property	25,491	24,276
Less accumulated depreciation	16,301	15,786
Net property	9,190	8,490
Other Assets		
Goodwill (net of accumulated amortization - 2000: $405; 1999: $351)	1,887	1,834
Deferred income tax assets - noncurrent	1,968	597
Deferred charges and other assets	1,301	1,110
Total other assets	5,156	3,541
Total Assets	$27,645	$25,499

See Notes to Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Balance Sheets

In millions, except for share amounts, at December 31	*2000*	*1999*
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$1,348	$692
Long-term debt due within one year	311	343
Accounts payable:		
Trade	2,272	1,782
Other	1,527	1,087
Income taxes payable	258	178
Deferred income tax liabilities - current	35	38
Dividends payable	217	213
Accrued and other current liabilities	1,905	1,962
Total current liabilities	7,873	6,295
Long-Term Debt	4,865	5,022
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	887	839
Pension and other postretirement benefits - noncurrent	1,746	1,843
Other noncurrent obligations	2,178	2,219
Total other noncurrent liabilities	4,811	4,901
Minority Interest in Subsidiaries	410	408
Preferred Securities of Subsidiary	500	500
Temporary Equity		
Preferred stock at redemption value ($1.00 par value each; Series A issued 1999: 1,316,440)	-	114
Guaranteed ESOP obligation	-	(64)
Total temporary equity	-	50
Stockholders' Equity		
Common stock (authorized 1,500,000,000 shares of $2.50 par value each; issued 2000 and 1999: 981,377,562)	2,453	818
Additional paid-in capital	16	1,321
Guaranteed ESOP obligation	(53)	-
Retained earnings	14,071	13,445
Accumulated other comprehensive income	(336)	(251)
Treasury stock at cost (shares 2000: 303,874,960; 1999: 311,532,648)	(6,965)	(7,010)
Net stockholders' equity	9,186	8,323
Total Liabilities and Stockholders' Equity	$27,645	$25,499

See Notes to Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Stockholders' Equity

In millions	2000	1999	1998
Common Stock			
Balance at beginning of year	$818	$818	$818
3-for-1 stock split	1,635	-	-
Balance at end of year	2,453	818	818
Additional Paid-in Capital			
Balance at beginning of year	1,321	718	532
3-for-1 stock split	(1,533)	-	-
Issuance of treasury stock at more than cost	176	550	121
Other (including proceeds from sales of put options in 1999 and 1998)	52	53	65
Balance at end of year	16	1,321	718
Guaranteed ESOP Obligation			
Balance at beginning of year	-	-	-
Transfer from temporary equity	(64)	-	-
Debt repayment	11	-	-
Balance at end of year	(53)	-	-
Retained Earnings			
Balance at beginning of year	13,445	12,887	12,357
Net income before preferred stock dividends	1,513	1,331	1,310
3-for-1 stock split	(102)	-	-
Preferred stock dividends declared	-	(5)	(6)
Common stock dividends declared	(785)	(768)	(774)
Balance at end of year	14,071	13,445	12,887
Accumulated Other Comprehensive Income			
Unrealized Gains on Investments at beginning of year	290	130	316
Unrealized gains (losses)	25	160	(186)
Balance at end of year	315	290	130
Cumulative Translation Adjustments at beginning of year	(478)	(414)	(429)
Translation adjustments	(122)	(64)	15
Balance at end of year	(600)	(478)	(414)
Minimum Pension Liability at beginning of year	(63)	(63)	(33)
Adjustments	12	-	(30)
Balance at end of year	(51)	(63)	(63)
Treasury Stock			
Balance at beginning of year	(7,010)	(6,647)	(5,935)
Purchases	(3)	(429)	(742)
Sales of treasury shares in open market	-	39	-
Issuance to employees and employee plans	48	27	21
Reclassification related to put options	-	-	9
Balance at end of year	(6,965)	(7,010)	(6,647)
Net Stockholders' Equity	$9,186	$8,323	$7,429

See Notes to Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Comprehensive Income

In millions	*2000*	*1999*	*1998*
Net Income Available for Common Stockholders	$1,513	$1,326	$1,304
Other Comprehensive Income, Net of Tax (tax amounts shown below for 2000, 1999, 1998)			
Unrealized gains on investments:			
Unrealized holding gains (losses) during the period (less tax of $16, $123, $(66))	27	206	(193)
Less: Reclassification adjustments for net amounts included in net income (less tax of $(1), $(27), $4)	(2)	(46)	7
Cumulative translation adjustments (less tax of $(33), $(47), $47)	(122)	(64)	15
Minimum pension liability adjustments (less tax of $5, $0, $(17))	12	-	(30)
Total other comprehensive income (loss)	(85)	96	(201)
Comprehensive Income	$1,428	$1,422	$1,103

See Notes to Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Cash Flows

In millions	2000	1999	1998
Operating Activities			
Net income available for common stockholders	$1,513	$1,326	$1,304
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,315	1,301	1,305
Purchased in-process research and development charges	6	6	349
Provision (credit) for deferred income tax	125	154	(15)
Undistributed earnings of nonconsolidated affiliates	(183)	(2)	(16)
Minority interests' share in income	65	69	17
Net gain on sales of consolidated companies	-	(26)	(726)
Net gain on sales of nonconsolidated affiliates	(13)	-	-
Net gain on sales of property	(103)	(57)	(47)
Other net (gain) loss	(252)	(85)	10
Tax benefit - nonqualified stock option exercises	24	41	22
Changes in assets and liabilities that provided (used) cash:			
Accounts and notes receivable	(441)	55	498
Inventories	(489)	79	52
Accounts payable	312	101	4
Other assets and liabilities	(665)	30	189
Cash provided by operating activities	1,214	2,992	2,946
Investing Activities			
Capital expenditures	(1,349)	(1,412)	(1,546)
Proceeds from sales of property	156	115	96
Purchases of consolidated companies	(678)	(441)	(808)
Proceeds from sales of consolidated companies	-	38	1,300
Proceeds from sales of nonconsolidated affiliates	47	-	-
Purchases from outside investors in limited partnership	-	-	(210)
Proceeds from outside investors in limited partnership	-	-	200
Investments in nonconsolidated affiliates	(120)	(100)	(75)
Purchases of investments	(2,957)	(4,136)	(1,722)
Proceeds from sales of investments	4,441	3,296	1,670
Cash used in investing activities	(460)	(2,640)	(1,095)
Financing Activities			
Changes in short-term notes payable	(263)	(749)	(206)
Payments on long-term debt	(424)	(342)	(549)
Proceeds from issuance of long-term debt	384	1,353	218
Purchases of treasury stock	(3)	(429)	(742)
Proceeds from sales of common stock	118	616	142
Purchase of subsidiary preferred stock	-	(102)	-
Proceeds from issuance of preferred securities of subsidiary	-	500	-
Distributions to minority interests	(65)	(36)	(33)
Dividends paid to stockholders	(783)	(771)	(786)
Cash provided by (used in) financing activities	(1,036)	40	(1,956)
Effect of Exchange Rate Changes on Cash	(9)	(9)	(7)
Summary			
Increase (decrease) in cash and cash equivalents	(291)	383	(112)
Cash and cash equivalents at beginning of year	506	123	235
Cash and cash equivalents at end of year	$215	$506	$123

See Notes to Financial Statements.

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A Summary of Significant Accounting Policies and Accounting Changes

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements of The Dow Chemical Company and its subsidiaries (the Company) include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercises control and for which control is other than temporary. Intercompany transactions and balances are eliminated in consolidation. Investments in nonconsolidated affiliates (20–50 percent owned companies and majority-owned subsidiaries over which the Company does not exercise control) are accounted for on the equity basis.

All references in the consolidated financial statements to common shares, share prices, per share amounts and stock plans have been retroactively restated for the three-for-one stock split on June 16, 2000, unless otherwise noted (see Note L).

Certain reclassifications of prior years' amounts have been made to conform to the presentation adopted for 2000.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Foreign Currency Translation

The local currency has been primarily used as the functional currency throughout the world. Translation gains and losses of those operations that use local currency as the functional currency and the effects of exchange rate changes on transactions designated as hedges of net foreign investments are included in "Accumulated other comprehensive income." Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income.

A Summary of Significant Accounting Policies and Accounting Changes - Continued

Environmental Matters
Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the consolidated balance sheet as "Other noncurrent obligations" at undiscounted amounts. Accruals for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the consolidated balance sheet as "Noncurrent receivables."

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Costs related to environmental contamination treatment and cleanup are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued when such costs are probable and estimable.

Cash and Cash Equivalents
Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

Financial Instruments
Interest differentials on swaps and forward rate agreements designated as hedges of exposures to interest rate risk are recorded as adjustments to expense over the contract periods. Premiums for early termination of interest derivatives designated as hedges are amortized as adjustments to expense over the original contract periods or underlying hedge exposure. Interest derivatives not designated as hedges are marked-to-market at the end of each accounting period with the results included in income.

Realized and unrealized gains and losses on foreign exchange transactions that are designated and effective as hedges are recognized in the same period as the hedged transaction. The carrying amounts of foreign currency options and option combinations are adjusted for changes in fair value at each balance sheet date. Foreign exchange contracts not designated as hedges are marked-to-market at the end of each accounting period with the results included in income.

The Company enters into various commodity contracts, including futures, options and swap agreements to hedge its purchase of commodity products used in the Company's business. These contracts are predominantly settled in cash. For those contracts that are designated and effective as hedges, gains and losses are accounted for as part of the basis of the related commodity purchases. For contracts accounted for as hedges that are terminated before their maturity date, gains and losses are deferred and included in the basis of the related commodity purchases. Commodity contracts not accounted for as hedges are marked-to-market at the end of each accounting period with the results included in income.

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard pricing models, which take into account the present value of estimated future cash flows.

Inventories
Inventories are stated at the lower of cost or market. The method of determining cost is used consistently from year to year at each subsidiary and varies among last-in, first-out (LIFO); first-in, first-out (FIFO); and average cost.

Property
Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is generally provided using the straight-line method. For assets capitalized through 1996, the declining balance method was generally used. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

A Summary of Significant Accounting Policies and Accounting Changes - Continued

Investments
Investments in debt and marketable equity securities, including warrants, are classified as either trading, available-for-sale, or held-to-maturity. Investments classified as trading are reported at fair value with unrealized gains and losses included in income. Those classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in "Accumulated other comprehensive income." Those classified as held-to-maturity are recorded at amortized cost.

The excess of the cost of investments in subsidiaries over the values assigned to assets and liabilities acquired is shown as goodwill, which is amortized on a straight-line basis over its estimated useful life with a maximum of 40 years.

The Company evaluates long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

The cost of investments sold is determined by specific identification.

Revenue
Sales are recognized when the revenue is realized or realizable, and has been earned. In general, revenue is recognized as risk and title to the product transfers to the customer, which usually occurs at the time shipment is made.

Income Taxes
The Company accounts for income taxes using the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

Earnings per Common Share
The calculation of earnings per common share is based on the weighted-average number of common shares outstanding during the applicable period. The calculation for diluted earnings per common share reflects the effect of all dilutive potential common shares that were outstanding during the respective periods.

Accounting Changes
In December 1999, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which summarizes the SEC's views in applying generally accepted accounting principles to revenue recognition. The Company has determined that SAB 101's revenue recognition guidelines are consistent with the Company's existing revenue recognition policies; therefore, SAB 101 did not have a material impact on the Company's consolidated financial statements.

In May 2000, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus with respect to EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 recognizes the inconsistencies in practice of the recording of shipping and handling costs incurred by most companies that sell goods. The Company has historically recorded freight and any directly related associated cost of transporting finished product to customers as a reduction of net sales. Following the guidance of EITF 00-10, the Company has reclassifed these costs to cost of sales for all periods presented. As a result, reported net sales have increased approximately 5 percent, with a corresponding increase in cost of sales.

The FASB issued Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities," in June 1998. SFAS No.133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No.137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No.133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. Based on the revised effective date, the Company will adopt SFAS No.133, as amended by SFAS No. 138, on January 1, 2001. See Note J regarding the impact of adoption.

A Summary of Significant Accounting Policies and Accounting Changes - Continued

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement, which replaces FASB Statement No. 125, revises the standards for accounting for securitizations and other transfers of financial assets and collateral, and requires certain disclosures, but it carries over most of the provisions of Statement 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. It is effective for recognition and reclassifications of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of SFAS No. 140 did not have a material impact on the Company's consolidated financial statements. See Note Q regarding sales of certain qualifying trade accounts receivables.

In 1999, the Company adopted the following new accounting pronouncements:

- The American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," requires capitalization of certain internal-use computer software costs. SOP 98-1 was adopted by the Company on January 1, 1999. The Company's previous accounting policy was to expense such costs as incurred; therefore, adoption of this statement resulted in a favorable, though immaterial, initial impact on earnings.
- SOP 98-5, "Reporting on the Costs of Start-Up Activities," provides guidance on the financial reporting of start-up costs and organization costs, requiring those costs to be expensed as incurred. The Company's previous policy regarding the treatment of these costs was substantially consistent with SOP 98-5; therefore, adoption of this standard on January 1, 1999 resulted in an immaterial impact on the Company's consolidated financial statements.

B Purchased In-Process Research and Development and Special Charges

Purchased In-Process Research and Development

Purchased in-process research and development (IPR&D) represents the value assigned in a purchase business combination to research and development projects of the acquired business that had commenced but had not yet been completed at the date of acquisition and which have no alternative future use. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as clarified by FASB Interpretation No. 4, amounts assigned to IPR&D meeting the above-stated criteria must be charged to expense as part of the allocation of the purchase price of the business combination.

The method used to determine the purchase price allocations for IPR&D was an income or cash flow method. The calculations were based on estimates of operating earnings, capital charges (representing the effect of capital expenditures), trade name royalties, charges for core technology, and working capital requirements to support the cash flows attributed to the technologies. The after-tax cash flows were bifurcated to reflect the stage of development of each technology. Discount rates reflecting the stage of development and the risk associated with each technology were used to value IPR&D. The Company has substantial experience in research and development projects for new products, which enables it to establish realistic time frames for the completion of such projects; therefore, the Company believes there is limited risk that the projects described below will not be concluded within reasonable proximity to the expected completion dates.

In 2000, the Company completed the appraisal of the technology acquired with the purchase of Flexible Products (see Note C) and recorded an IPR&D charge of $6 as part of the Performance Plastics segment. Projects associated with technology acquired are expected to improve profitability and create new growth opportunities in the Polyurethanes formulations-based business. Projects range from 15 percent to 60 percent complete.

In 1999, the Company completed the appraisal of the technology acquired with the purchase of ANGUS Chemical (see Note C) and recorded an IPR&D charge of $6 as part of the Performance Chemicals segment. Projects associated with technology acquired are expected to improve profitability and create new growth opportunities in the nitroparaffin-based business. Projects range from 10 percent to 50 percent complete.

In 1998, the allocation of the purchase price of Sentrachem Limited resulted in the recording of an IPR&D charge of $50, which has been included in the Agricultural Products segment. Projects associated with the technology acquired included process development of a selective herbicide, nutrient concentrates and fine chemicals. At year-end 1999, these projects were essentially completed.

B Purchased In-Process Research and Development and Special Charges - Continued

Additional shares of Mycogen were acquired in two steps in 1998 as described in Note C. In allocating the purchase price for Mycogen and its related acquisitions of several small seed companies, the Company recorded a $79 IPR&D charge included in the Agricultural Products segment. Projects associated with the technology acquired included Bt technology, an input trait used to protect crops from insect pests, various biotechnology projects to enhance crop quality or output traits, and germplasm development. 2000 activity included the abandonment of three projects, expenditures of $8, and revisions to planned future spending on active projects. At year-end 2000, the remaining projects ranged from 6 percent to 57 percent complete, with expected completion in years 2001 through 2008 at an estimated additional cost of $72.

In 1998, the Company completed the appraisal of the technology acquired with the purchase of Eli Lilly and Company's 40 percent interest in DowElanco and recorded an IPR&D charge of $220 as part of the Agricultural Products segment. Projects associated with the technology included naturally derived insecticides, herbicides and fungicides, and various biotechnology projects to enhance crops and to protect them from disease and pests. 2000 activity included the abandonment of two projects, expenditures of $5, and revisions to planned future spending on active projects. At year-end 2000, the remaining projects ranged from 20 percent to 62 percent complete, with expected completion in years 2006 through 2009 at an estimated additional cost of $87.

During the third and fourth quarters of 1998, the SEC issued clarifying guidance on how IPR&D amounts are to be determined. In light of this clarification, the Company reviewed all IPR&D charges, and in the fourth quarter of 1998, recorded a $55 reduction of previously recorded IPR&D charges to comply with the SEC guidance.

Special Charges

In the fourth quarter of 1999, a special charge of $94 was recorded for a cost reduction and business restructuring program in the Agricultural Products segment. The program, which was announced in November 1999, impacted operations in the United States, Europe, Middle East/Africa and Latin America, and is expected to be completed in 2001. The 1999 charge included severance of $51 for approximately 700 employees, inventory write-offs of $17, and asset write-offs of $26. During 2000, $45 of the severance reserve was used to reduce headcount by 690 individuals, leaving a balance of $6 for an estimated additional headcount reduction of approximately 200. Seeds inventory was written off during the first quarter, fully utilizing the inventory reserve. The remaining balance for additional asset write-offs related to the plan was $20.

In 1998, a special charge of $194 was recorded for the write-down of several assets. The asset write-downs included Radian International LLC and Dow-United Technologies Composite Products, Inc., both of which were subsequently sold (see Note C). These amounts are included in "Unallocated and Other" in Note R.

In 1998, a special charge of $113 was recorded for the closure of the magnesium business and the associated manufacturing plant in Freeport, Texas, and related severance costs. The restructuring charge for magnesium included fixed-asset write-offs of $42, demolition and site closure costs of $29, inventory write-offs of $12, and $30 for severance and other obligations. These amounts are included in the Chemicals segment in Note R. The closure of the magnesium business was principally completed in 1999. A balance of $16 remains to complete the plant site demolition and closure.

Severance plans were adopted by the Company in 1998 for North America, Europe and Sentrachem, resulting in a special charge of $151. The plans for North America and Europe were complete at year-end 1998. The plan for Sentrachem was essentially completed in 1999. Total headcount reduction related to the severance plans was 1,881 in 1998, with an additional headcount reduction of 208 in 1999.

C Acquisitions and Divestitures

In December 2000, the Company sold its 32.5 percent ownership interest in the Cochin pipeline system to NOVA Chemicals Corp. for $119, resulting in a pretax gain of $98. The Company initially announced its agreement to sell its interest in the pipeline to a unit of Williams' energy services business in August 2000. In October 2000, NOVA Chemicals Corp., one of the owners of Cochin, exercised its right of first refusal as provided in the contractual agreements among the Cochin owners.

In October 2000, the Company announced it had reached an agreement with Gurit-Heberlein AG to acquire the 50 percent interest in Gurit-Essex AG that it did not own. Gurit-Essex AG is the largest European supplier of automotive adhesives, sealants and body engineered systems for the automotive OEM and aftermarket. The acquisition will globalize Dow Automotive's product availability and double the Company's adhesives, sealants and body engineered systems business. In January 2001, the Company completed the acquisition for approximately $390.

C Acquisitions and Divestitures - Continued

In April 1995, the Company signed an agreement with Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS) for the privatization of three state-owned chemical companies in eastern Germany, Buna Sow Leuna Olefinverbund (BSL). Economic transfer of business operations to the Company, through the privatization agreement and various service agreements, occurred in June 1995, and the Company began a reconstruction program of the sites. In September 1997, the Company acquired 80 percent ownership in BSL for an investment of $174; BvS maintained 20 percent ownership. The Company had a call option and BvS a put option for the remaining 20 percent of BSL after the reconstruction period. In May 2000, the Company announced the completion of the reconstruction program and, for an additional investment of $156, acquired the remaining 20 percent of BSL. On June 1, 2000, BSL became a wholly owned subsidiary of the Company and, beginning on that date, the financial results of BSL are fully consolidated.

BvS provided certain incentives during the reconstruction period to cover portions of the reconstruction program and has retained environmental cleanup obligations for existing facilities. Incentives related to property construction reduced the cost basis of such property. Incentives related to expenses during the reconstruction period were recognized as such expenses were incurred. During the reconstruction period, the Company included the financial results of BSL as a nonconsolidated affiliate.

In February 2000, the Company acquired Flexible Products Company of Marietta, Georgia, for approximately $160. Flexible Products Company is one of the largest polyurethane systems suppliers in North America and a leader in custom polyurethane foam formulations and dispensing technology.

In October 1999, the Company acquired CanStates Holdings, Inc. and its subsidiary, ANGUS Chemical Company, from TransCanada PipeLines Limited for approximately $350. ANGUS Chemical is a global leader in the manufacture and marketing of specialty nitroparaffins and their derivatives, which are sold into over 40 industries.

In August 1999, the Company and Union Carbide Corporation announced a definitive merger agreement for a tax-free, stock-for-stock transaction. Under the agreement, Union Carbide stockholders will receive 1.611 shares of Dow stock (on a post-split basis) for each share of Union Carbide stock they own. Based upon Dow's closing price of $124 11/16 (pre-split) on August 3, 1999, the transaction was valued at $66.96 per Union Carbide share, or $11.6 billion in aggregate including the assumption of $2.3 billion of net debt. According to the agreement, the merger was subject to certain conditions, including approval by Union Carbide stockholders and review by antitrust regulatory authorities in the United States, Europe and Canada. Union Carbide stockholders approved the merger on December 1, 1999. On May 3, 2000, the European Commission approved the merger subject to certain conditions. The Company completed the merger on February 6, 2001, after receiving clearance from the U.S. Federal Trade Commission, the Canadian Competition Bureau and other jurisdictions around the world. The transaction is expected to be accounted for as a pooling of interests.

In December 1998, the Company and United Technologies Corporation sold the business and certain assets of their 50:50 joint venture, Dow-United Technologies Composite Products, Inc., to GKN Westland Aerospace, Inc., a unit of GKN plc, of the United Kingdom.

In January 1996, DowElanco entered into agreements with Mycogen Corporation and the Lubrizol Corporation for transactions through which DowElanco, for a cash investment of $158, acquired a 47 percent equity stake in Mycogen and Mycogen acquired DowElanco's United Agriseeds subsidiary. In December 1996, DowElanco increased its equity stake in Mycogen to more than 50 percent. During the first quarter of 1998, Dow AgroSciences (formerly named DowElanco) invested an additional $121 in Mycogen, increasing its ownership to 69 percent. In November 1998, following the expiration of a tender offer, the Company completed the acquisition of all remaining shares for $418. Mycogen is a diversified agribusiness and biotechnology company that develops and markets seeds and value-added traits for genetically enhanced crops.

In January 1996, the Company and The Hartford Steam Boiler Inspection and Insurance Company (HSB) formed, through the transfer of net assets and existing businesses, a 60:40 joint venture named Radian International LLC to provide environmental services. In January 1998, HSB exercised a put option requiring the Company to purchase HSB's interest for $136. In July 1998, as part of the Company's ongoing efforts to restructure its business portfolio, Radian was sold to Dames & Moore Group for $117.

In February 1998, the Company entered into an agreement with Pronor Petroquimica S.A. to purchase a portion of its business. The new company, named Isopol, was acquired for the production and commercialization of toluene diisocyanate (TDI), used to manufacture durable goods such as cushioned furniture and mattresses to supply the Mercosur countries of Latin America. The Company's total investment was $137.

In January 1998, the Company completed the sale of the DowBrands consumer products business to S.C. Johnson & Son, Inc. for $1.2 billion. This transaction resulted in a pretax gain of $816.

See Note B regarding certain charges recorded related to acquisitions and divestitures.

Dollars in millions, except as noted

D Income Taxes

Operating loss carryforwards at December 31, 2000 amounted to $3,541 compared with $882 at the end of 1999. The increase was principally due to the consolidation of BSL in 2000 (see Note C). Of the operating loss carryforwards, $208 is subject to expiration in the years 2001 through 2005. The remaining balances expire in years beyond 2005 or have an indefinite carryforward period. Tax credit carryforwards at December 31, 2000 amounted to $189 and are subject to expiration in the years 2001 through 2005.

Undistributed earnings of foreign subsidiaries and related companies which are deemed to be permanently invested amounted to $3,799 at December 31, 2000, $3,386 at December 31, 1999 and $3,266 at December 31, 1998. It is not practicable to calculate the unrecognized deferred tax liability on those earnings.

At December 31, 2000, the Company had a valuation allowance of $264 related to BSL. Upon consolidation of BSL on June 1, 2000, the valuation allowance was $495. This allowance was subsequently reduced by $231. The valuation allowance reduces the BSL deferred tax asset in recognition of the uncertainty regarding full realization of the tax benefit. BSL's deferred tax asset is a result of tax net operating losses during the five-year reconstruction period (see Note C) and the excess of the tax basis over the financial reporting basis of its fixed assets.

In 2000, Germany enacted a lower corporate income tax rate effective January 1, 2001. This change reduced the value of the deferred tax asset of BSL by $201 and resulted in a $9 decrease in the provision for deferred income tax for the other Dow subsidiaries in Germany.

Domestic and Foreign Components of Income before Income Taxes and Minority Interests

	2000	*1999*	*1998*
Domestic	$ 831	$ 919	$1,066
Foreign	1,570	1,247	946
Total	$2,401	$2,166	$2,012

Reconciliation to U.S. Statutory Rate

	2000	*1999*	*1998*
Taxes at U.S. statutory rate	$840	$758	$704
Amortization of nondeductible intangibles	28	33	13
Foreign rates other than 35%*	(56)	(9)	21
U.S. tax effect of foreign earnings and dividends	10	(1)	(82)
Other – net	1	(15)	29
Total tax provision	$823	$766	$685
Effective tax rate	34.3%	35.4%	34.0%

*2000 Includes the effects of changes in German tax rates on deferred tax balances and the reduction in the BSL valuation allowance.

Provision for Income Taxes

		2000			*1999*			*1998*	
	Current	*Deferred*	*Total*	*Current*	*Deferred*	*Total*	*Current*	*Deferred*	*Total*
Federal	$219	$154	$373	$265	$ 67	$332	$329	$(44)	$285
State and local	20	9	29	19	4	23	23	15	38
Foreign	459	(38)	421	328	83	411	348	14	362
Total	$698	$125	$823	$612	$154	$766	$700	$(15)	$685

Dollars in millions, except as noted

D Income Taxes - Continued

Deferred Tax Balances at December 31

	2000	*1999*
Property	$ (570)	$(923)
Tax loss and credit carryforwards	1,441	363
Long-term debt	46	(16)
Postretirement benefit obligations	449	593
Other accruals and reserves	77	163
Investments	49	(73)
Inventory	144	68
Other – net	(218)	(220)
Subtotal	$1,418	$ (45)
Valuation allowance	(264)	-
Total	$1,154	$ (45)

E Inventories

The reserves required to adjust inventories from the first-in, first-out (FIFO) basis to the last-in, first-out (LIFO) basis amounted to a decrease of $344 at December 31, 2000 and a decrease of $131 at December 31, 1999. The inventories that were valued on a LIFO basis, principally hydrocarbon and U.S. chemicals and plastics product inventories, represented 35 percent of the total inventories at December 31, 2000, compared with 34 percent at December 31, 1999.

A reduction of certain inventories resulted in the liquidation of some quantities of LIFO inventory, which increased pretax income $67 in 2000 and $51 in 1999, and decreased pretax income $21 in 1998.

F Significant Nonconsolidated Affiliates and Related Company Transactions

In May 1995, Dow Corning Corporation (Dow Corning), in which the Company is a 50 percent shareholder, filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note P). As a result, the Company fully reserved its investment in Dow Corning and has reserved its 50 percent share of equity earnings from that time through the third quarter of 2000. Beginning in the fourth quarter of 2000, the Company is no longer reserving its share of Dow Corning's earnings.

The Company's investments in related companies accounted for by the equity method (nonconsolidated affiliates) of $1,088 at December 31, 2000 exceeded its share of the investees' net assets (exclusive of Dow Corning) by $207. This excess is considered goodwill and is amortized over the estimated useful lives. The Company's investments of $1,359 at December 31, 1999 approximated the Company's equity in the net assets of nonconsolidated affiliates (exclusive of Dow Corning).

The summarized financial information below represents the combined accounts (at 100 percent) of the principal nonconsolidated affiliates: BSL (see Note C), Dow Corning, DuPont Dow Elastomers L.L.C., Gurit-Essex AG (see Note C), Compañía Mega S.A., Siam Styrene Monomer Ltd. and Total Raffinaderij Nederland N.V. The net loss in 1998 reflects a charge taken by Dow Corning related to the Joint Plan of Reorganization (see Note P) in finalizing its 1998 results. The Company's investment in these companies was $722 at December 31, 2000 and $1,008 at December 31, 1999, and its equity in their earnings was $271 in 2000, $103 in 1999 and $72 in 1998, after reserving the earnings related to Dow Corning through the third quarter of 2000. On June 1, 2000, BSL became a wholly owned subsidiary of the Company and, beginning on that date, the financial results of BSL are fully consolidated (see Note C). As a result, the summarized balance sheet information for 2000 does not include BSL's assets and liabilities. The summarized income statement information for 2000 includes BSL's sales, gross profit and net income from January 1, 2000 through May 31, 2000.

Dollars in millions, except as noted

F Significant Nonconsolidated Affiliates and Related Company Transactions - Continued

Summarized Balance Sheet Information at December 31

	2000	*1999*
Current assets	$2,519	$ 2,881
Noncurrent assets	6,113	7,128
Total assets	$8,632	$10,009
Current liabilities	$1,387	$ 1,641
Noncurrent liabilities	5,545	6,404
Total liabilities	$6,932	$ 8,045

Summarized Income Statement Information

	2000	*1999*	*1998*
Sales	$4,858	$4,620	$4,650
Gross profit	1,239	750	864
Net income (loss)	446	308	(515)

Dividends received from related companies were $90 in 2000, $78 in 1999 and $48 in 1998.

The Company has service agreements with some of these entities, including contracts to manage the operations of manufacturing sites and the construction of new facilities; licensing and technology agreements; and marketing, sales and purchase agreements.

Receivables from related companies were $256 at December 31, 2000 and $521 at December 31, 1999. All other transactions with related companies and balances due to related companies were not material.

G Property

Property at December 31	*Estimated Useful Lives (Years)*	*2000*	*1999*
Land	--	$ 345	$ 339
Land and waterway improvements	20-25	695	670
Buildings	5-50	2,238	2,126
Machinery and equipment	3-20	18,669	17,550
Utility and supply lines	5-20	1,483	1,433
Other	3-20	1,276	1,251
Construction in progress	--	785	907
Total		$25,491	$24,276

	2000	*1999*	*1998*
Depreciation expense	$1,145	$1,122	$1,188
Manufacturing maintenance and repair costs	727	619	648
Capitalized interest	47	53	47

H Leased Property

The Company routinely leases premises for use as sales and administrative offices, warehouses and tanks for product storage, motor vehicles, railcars, computers, office machines and equipment under operating leases. In addition, Dow leases gas turbines at two U.S. locations, an ethylene plant in Canada and a polyethylene plant in Argentina. At the termination of the leases, the Company has the option to purchase these plants and certain other leased equipment and buildings.

Rental expenses under operating leases were $377 for 2000, $394 for 1999 and $408 for 1998.

Dollars in millions, except as noted

H Leased Property- Continued

Minimum Operating Lease Commitments at December 31, 2000

2001	$ 219
2002	176
2003	146
2004	123
2005	103
2006 and thereafter	840
Total	$1,607

I Notes Payable, Long-Term Debt and Available Credit Facilities

Notes payable consisted primarily of obligations due to banks with a variety of interest rates and maturities.

Notes Payable at December 31

	2000	*1999*
Commercial paper	$ 694	-
Other notes payable	654	$692
Total	$1,348	$692
Year-end average interest rates*	6.67%	6.66%

*Excluding the effects of short-term borrowings in highly inflationary countries.

Long-Term Debt at December 31	*2000 Average Rate*	*2000*	*1999 Average Rate*	*1999*
Promissory notes and debentures:				
Final maturity 2002	6.95%	$ 346	7.81%	$ 539
Final maturity 2003	7.13%	148	7.13%	148
Final maturity 2005	7.00%	300	-	-
Final maturity 2006 and thereafter	7.70%	2,473	7.70%	2,448
Foreign bonds:				
Final maturity 2000, Swiss franc	-	-	4.63%	95
Final maturity 2001, Japanese yen	6.38%	218	6.38%	244
Final maturity 2003, Euro	5.00%	139	5.00%	151
Other facilities – various rates and maturities:				
U.S. dollar loans	-	153	-	183
Foreign currency loans	-	86	-	102
Dow ESOP, final maturity 2004	9.42%	53	9.42%	64
Medium-term notes, varying maturities through 2022	-	303	-	467
Pollution control/industrial revenue bonds, varying maturities through 2030	-	965	-	964
Unexpended construction funds	-	(10)	-	(2)
Capital lease obligations	-	76	-	38
Unamortized debt discount	-	(74)	-	(76)
Long-term debt due within one year	-	(311)	-	(343)
Total	6.97%	$4,865	6.50%	$5,022

Dollars in millions, except as noted

I Notes Payable, Long-Term Debt and Available Credit Facilities - Continued

Annual Installments on Long-Term Debt for the Next Five Years

2001	$311
2002	452
2003	389
2004	85
2005	384

The Company had unused and available credit facilities at December 31, 2000 with various U.S. and foreign banks totaling $3.1 billion which required the payment of commitment fees. Additional unused credit facilities totaling $1.1 billion were available for use by foreign subsidiaries. These facilities are available in support of commercial paper borrowings and working capital requirements.

J Financial Instruments

Investments

The Company's investments in marketable securities are primarily classified as available-for-sale. Maturities for approximately one-third of the debt securities were less than five years at December 31, 2000.

Investing Results

	2000	*1999*	*1998*
Proceeds from sales of available-for-sale securities	$4,054	$3,229	$1,960
Gross realized gains	331	149	120
Gross realized losses	(160)	(103)	(54)

Risk Management

The Company's risk management program for both interest rate risk and foreign currency risk is based on fundamental, mathematical and technical models that take into account the implicit cost of hedging. Risks created by derivative instruments and the marked-to-market valuations of positions are strictly monitored at all times. The Company uses value at risk and stress tests to monitor risk. Credit risk arising from these contracts is not significant because the counterparties to these contracts are major international financial institutions and the Company does not anticipate any such losses. The net cash requirements arising from risk management activities are not expected to be material. The Company reviews its overall financial strategies and impacts from using derivatives in its risk management program with the Board of Directors' Finance Committee and revises as market conditions dictate.

The Company minimizes concentrations of credit risk through its global orientation in diverse businesses with a large number of diverse customers and suppliers. No significant concentration of credit risk existed at December 31, 2000.

Interest Rate Risk Management

The Company enters into various interest rate contracts with the objective of lowering funding costs, diversifying sources of funding or altering interest rate exposures related to fixed and variable rate obligations. In these contracts, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount.

The notional principal amounts on all types of interest derivative contracts at December 31, 2000 totaled $1,052 with a weighted-average remaining life of 6.8 years. At December 31, 1999, the notional principal amounts totaled $1,299 with a weighted-average remaining life of 6.3 years.

Hedging Unrealized Gains and Losses

	2000	*1999*
Unrealized gains	$32	$ 2
Unrealized losses	(4)	(11)

Dollars in millions, except as noted

J Financial Instruments - Continued

Interest Derivatives at December 31, 2000

	Notional Amount	Maturities	Weighted-average Rate Receive	Weighted-average Rate Pay
Receive fixed hedge	$550	2002-2010	6.9%	6.4%
Receive floating hedge	340	2002-2022	7.3%	7.5%
Other	162	2001-2003	-	-

Interest Derivatives at December 31, 1999

	Notional Amount	Maturities	Weighted-average Rate Receive	Weighted-average Rate Pay
Receive fixed hedge	$225	2002-2004	6.6%	5.7%
Receive floating hedge	701	2002-2022	5.4%	6.5%
Other	373	2000-2009	-	-

Foreign Currency Risk Management

The Company's global operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts and options to hedge various currency exposures or create desired exposures. Exposures primarily relate to assets and liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets, liabilities and future cash flows with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged.

The Company had forward contracts and options to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of $11,017 at December 31, 2000 and $6,866 at December 31, 1999. These contracts and options had various expiration dates, primarily in the first quarter of the next year. The net unrealized loss based on the foreign exchange rates at December 31, 2000 was $(146). The net unrealized gain based on the foreign exchange rates at December 31, 1999 was $45. The effect of foreign exchange derivatives is primarily recognized in "Sundry income – net." The effect of hedges of net investments in subsidiaries is recognized in "Accumulated other comprehensive income."

Fair Value of Financial Instruments at December 31

	2000				1999			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities:								
Debt securities	$ 1,004	$ 35	$ (6)	$ 1,033	$ 1,771	$ 20	$ (31)	$ 1,760
Equity securities	890	527	(56)	1,361	1,043	580	(47)	1,576
Other	11	-	-	11	138	2	-	140
Total	$ 1,905	$562	$ (62)	$ 2,405	$ 2,952	$602	$ (78)	$ 3,476
Long-term debt including debt due within one year	$(5,176)	$ 12	$(176)	$(5,340)	$(5,365)	-	$(118)	$(5,483)
Derivatives relating to:								
Foreign currency	-	$441	$(587)	$ (146)	-	$174	$(129)	$ 45
Interest rates	-	32	(7)	25	-	2	(20)	(18)

Cost approximates fair value for all other financial instruments.

Accounting for Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Company will adopt SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138. Under the standard, entities are required to carry all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value of a derivative instrument (i.e., gains or losses) depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or net investments in foreign operations.

J Financial Instruments - Continued

If the hedged exposure is a fair value exposure, the gain or loss from changes in the fair value of the derivative instrument is recognized in earnings in the period of change together with the offsetting gain or loss from changes in the fair value of the hedged item. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of "Accumulated other comprehensive income (AOCI)" and subsequently recognized in earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the hedge, are reported in earnings immediately. Accounting for foreign currency hedges is similar to the accounting for fair value and cash flow hedges. If the hedged exposure is a net investment exposure, the effective portion of the hedge is recorded in AOCI and any ineffective portion is reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss from changes in the fair value is recognized in earnings in the period of change.

Adoption of SFAS No. 133 will result in the Company recording a transition adjustment gain of $32 (net of related income tax of $19) in net income and a net transition adjustment gain of $65 (net of related income tax of $38) in AOCI at January 1, 2001. Further, the adoption of the statement will result in the Company recognizing $195 of derivative instrument assets and $29 of derivative instrument liabilities, increasing the carrying amount of hedged liabilities by $25, and derecognizing deferred gains of $13. The short-cut method under SFAS No. 133 will be used where the criteria are met. The Company anticipates volatility in AOCI and net income from its cash flow hedges. The amount of volatility will vary with the level of derivative activities and market conditions during any period.

K Limited Partnerships and Preferred Securities of Subsidiary

In July 1999, Tornado Finance V.O.F., a consolidated foreign subsidiary of the Company, issued $500 of preferred securities in the form of preferred partnership units. The units provide a distribution of 7.965 percent, are mandatorily redeemable in 2009, and may be called at any time by the subsidiary. The preferred partnership units have been classified as "Preferred Securities of Subsidiary" in the consolidated balance sheet. The distributions are included in "Minority interests' share in income" in the consolidated statements of income.

In April 1993, three wholly owned subsidiaries of the Company contributed assets with an aggregate fair value of $977 to Chemtech Royalty Associates L.P. (Chemtech), a then newly formed Delaware limited partnership. In 1993, outside investors acquired limited partner interests in Chemtech totaling 20 percent in exchange for $200.

In early 1998, a subsidiary of the Company purchased the limited partner interests of the outside investors in Chemtech for a fair value of $210 in accordance with windup provisions in the partnership agreement. The limited partnership was renamed Chemtech II L.P. (Chemtech II). In June 1998, the Company contributed assets with an aggregate fair value of $783 (through a wholly owned subsidiary) to Chemtech II and an outside investor acquired a limited partner interest in Chemtech II totaling 20 percent in exchange for $200. In September 2000, the Company contributed additional assets with an aggregate fair value of $18 (through a wholly owned subsidiary) to Chemtech II.

Chemtech II is a separate and distinct legal entity from the Company and its affiliates, and has separate assets, liabilities, business and operations. The partnership has a general partner, a wholly owned subsidiary of the Company, which directs business activities and has fiduciary responsibilities to the partnership and its other members.

The outside investor in Chemtech II receives a cumulative annual priority return of $13 on its investment and participates in residual earnings.

Chemtech II will not terminate unless a termination or liquidation event occurs. The outside investor may cause such an event to occur in the year 2003. In addition, the partnership agreement provides for various windup provisions wherein subsidiaries of the Company may purchase at any time the limited partner interest of the outside investor. Upon windup, liquidation or termination, the partners' capital accounts will be redeemed at current fair values.

For financial reporting purposes, the assets (other than intercompany loans, which are eliminated), liabilities, results of operations and cash flows of the partnerships and subsidiaries are included in the Company's consolidated financial statements, and the outside investors' limited partner interests are reflected as minority interests.

L Stockholders' Equity

On May 11, 2000, stockholders approved a measure to increase the number of authorized common shares from 500 million to 1.5 billion and Dow's Board of Directors approved a three-for-one split of the Company's common stock. On June 16, 2000, Dow stockholders received two additional shares of stock for each share they owned on the record date of May 23, 2000. All references in the consolidated financial statements to common shares, share prices, per share amounts and stock plans have been restated retroactively for the stock split, unless otherwise noted.

In 1997, the Board of Directors of the Company authorized, subject to certain business and market conditions, the purchase of up to 60 million shares of the Company's common stock. On August 3, 1999, the Board of Directors terminated its 1997 authorization to repurchase Dow stock due to the pending merger with Union Carbide. The total number of shares purchased under the 1997 authorization was 48.6 million. Before August 3, 1999, the Company utilized options as part of its stock repurchase program. The Company's potential repurchase obligation related to these options was reclassified from "Stockholders' Equity" to "Temporary Equity."

The number of treasury shares purchased, pursuant to authorization of the Board of Directors in 1997, was 11.2 million in 1999 and 24.3 million in 1998. The number of treasury shares issued to employees under option and purchase programs was 9 million in 2000, 9.4 million in 1999 and 9 million in 1998. In December 1999, the Company sold 10.5 million shares of common stock held in treasury in the open market for $431 to facilitate the accounting treatment of the merger with Union Carbide as a pooling of interests, which was a condition to the completion of the merger.

There are no significant restrictions limiting the Company's ability to pay dividends.

Gross undistributed earnings of nonconsolidated affiliates included in retained earnings were $324 at December 31, 2000 and $315 at December 31, 1999.

Reserved Treasury Stock at December 31

Shares (in millions)	*2000*	*1999*	*1998*
Stock option plans	56.0	47.7	45.5
Employees' stock purchase plans	3.8	3.5	2.6
Total shares reserved	59.8	51.2	48.1

M Stock Compensation Plans

At December 31, 2000, the Company had stock-based compensation plans under which shares or options could be granted to employees and nonemployee directors. The Board of Directors approved these plans. The Company measures the compensation cost for these plans using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Given the terms of the Company's plans, no compensation cost has been recognized for its fixed stock option plans and its stock purchase plan.

The Company's reported net income and earnings per share would have been reduced had compensation cost for the Company's stock-based compensation plans been determined using the fair value method of accounting as set forth in SFAS No. 123, "Accounting for Stock-Based Compensation." For purposes of estimating the fair value disclosures below, the fair value of each stock option has been estimated on the grant date with a binomial option-pricing model using the following weighted-average assumptions:

	2000	*1999*	*1998*
Dividend yield	3.2%	3.7%	3.8%
Expected volatility	33.90%	25.86%	25.12%
Risk-free interest rate	6.70%	4.95%	4.54%
Expected life of stock option plans	7 years	7 years	7 years
Expected life of stock purchase plans	0.83 years	0.83 years	0.83 years

M Stock Compensation Plans - Continued

The effects of using the fair value method of accounting are indicated in the pro forma amounts below:

	2000		1999		1998	
	As Reported	Pro forma	As Reported	Pro forma	As Reported	Pro forma
Net income available for common Stockholders	$1,513	$1,429	$1,326	$1,268	$1,304	$1,263
Earnings per common share - basic	2.24	2.11	2.01	1.92	1.94	1.88
Earnings per common share - diluted	2.22	2.09	1.98	1.89	1.92	1.86

Employees' Stock Purchase Plans

Annually, the Board of Directors considers authorization of Employees' Stock Purchase Plans. Most employees are eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base earnings. The value is determined using the plan price times the number of shares subscribed to by the employee. The plan price of the stock is set at about 85 percent of market price. Approximately 40 to 45 percent of eligible employees participated in the plans during the last three years.

Employees' Stock Purchase Plans
Shares (in thousands)

	2000		1999		1998	
	Shares	*Exercise Price**	*Shares*	*Exercise Price**	*Shares*	*Exercise Price**
Outstanding at beginning of year	3,531	$27.82	2,664	$27.50	2,796	$23.00
Granted	4,263	29.52	4,752	27.82	3,471	27.50
Exercised	(3,461)	27.89	(3,582)	27.60	(3,396)	23.82
Forfeited/Expired	(516)	28.68	(303)	27.54	(207)	27.04
Outstanding and exercisable at end of year	3,817	$29.52	3,531	$27.82	2,664	$27.50
Fair value of options granted during the year		$ 9.11		$ 5.87		$ 5.92

*Weighted-average per share

Stock Option Plans

Under the 1988 Award and Option Plan, a plan approved by stockholders, the Company may grant options or shares of common stock to its employees subject to certain annual and individual limits. Under the 1994 Non-Employee Directors' Stock Plan, the Company may grant up to 300,000 options or shares of common stock to non-employee directors. Under the 1994 Executive Officers' Plan, the Company may grant up to 300,000 options or shares of common stock to executive officers of the Company. Under all plans, the terms are fixed at the grant date.

At December 31, 2000, there were 8,453,296 shares available for grant under the 1988 Plan, 212,000 shares available for grant under the 1994 Non-Employee Directors' Stock Plan, and 287,370 shares available for grant under the 1994 Executive Officers' Plan. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Options under both plans vest from one to three years. In addition, certain options granted under the 1988 Plan have performance-based vesting provisions. Total compensation expense for stock option plans was $0 in 2000, $35 in 1999 and $0 in 1998.

M Stock Compensation Plans - Continued

Stock Options

Shares (in thousands)	*2000*		*1999*		*1998*	
	Shares	*Exercise Price**	*Shares*	*Exercise Price**	*Shares*	*Exercise Price**
Outstanding at beginning of year	34,326	$26.67	32,523	$24.25	31,044	$22.16
Granted	10,505	35.75	9,291	31.19	7,029	30.52
Exercised	(1,621)	20.74	(7,353)	21.77	(5,382)	20.50
Forfeited/Expired	(203)	20.74	(135)	21.77	(168)	20.50
Outstanding at end of year	43,007	$29.14	34,326	$26.67	32,523	$24.25
Exercisable at end of year	23,582	$25.37	20,352	$23.73	25,653	$22.58
Fair value of options granted during the year		$12.73		$ 7.71		$ 7.01

* Weighted-average per share

Stock Options at December 31, 2000

Shares (in thousands)	*Options Outstanding*			*Options Exercisable*	
Range of Exercise Prices per Share	*Shares*	*Remaining Contractual Life**	*Exercise Price**	*Shares*	*Exercise Price**
$16.00 to $24.00	8,978	3.03 years	$20.89	8,978	$20.89
24.01 to 30.50	7,943	7.07 years	25.95	7,924	25.94
30.51 to 31.00	6,531	7.16 years	30.52	3,721	30.52
31.01 to 32.00	9,005	8.13 years	31.10	2,697	31.11
32.01 to 43.00	10,550	9.13 years	36.04	262	35.97
Total $16.00 to $43.00	43,007	6.97 years	$29.14	23,582	$25.44

* Weighted-average per share

Under the 1988 Plan, the Company grants deferred stock to certain employees. The grants vest either after a designated period of time, generally five years, or when the Company attains specified financial targets.

Shares (in thousands)	*2000*	*1999*	*1998*
Deferred stock compensation expense	$62	$66	$23
Deferred shares outstanding	4,125	4,062	3,225

N Redeemable Preferred Stock

The Company has an employee stock ownership plan (the ESOP), which is an integral part of the Salaried Employees Savings Plan. In 1989, the ESOP borrowed funds at a 9.42 percent interest rate with a final maturity in 2004 and used the proceeds to purchase convertible preferred stock from the Company. The preferred stock was convertible into the Company's common stock (on a pre-split basis) at either:

- a conversion rate of 1:1 if the fair market value of the common stock equaled or exceeded $86.125 per share, or
- the number of shares of common stock equivalent to $86.125 per share if the fair market value of the common stock was less than $86.125 per share, subject to the conversion conditions of the ESOP.

The preferred stock was redeemable in whole or in part at the Company's option any time after January 1, 2000 at $86.125 per share plus an amount equal to all accrued and unpaid dividends. The dividend yield on the preferred stock was 7.75 percent of the $86.125 per share redemption value. On February 9, 2000, the Company exercised its option to redeem the preferred stock. On that same date, the trustee of the ESOP elected to convert the preferred stock into common stock at a ratio of 1:1.

Prior to conversion, the convertible preferred stock issued to the ESOP was reported as "Temporary Equity" in the consolidated balance sheet, and the principal amount of the ESOP loan was reported as "Long-Term Debt" and a reduction of "Temporary Equity" in the consolidated balance sheet because the Company has guaranteed the ESOP's borrowings. Since the conversion, the Company's guarantee of the ESOP borrowings is reported as "Long-Term Debt" and a reduction of "Stockholders' Equity" in the consolidated balance sheet.

Dollars in millions, except as noted

O Pension Plans and Other Postretirement Benefits

Pension Plans

The Company has defined benefit pension plans which cover employees in the United States and a number of other countries. The Company's funding policy is to contribute annually to those plans where pension laws and economics either require or encourage funding. Plan assets consist mainly of equity and fixed income securities of U.S. and foreign issuers, including Company common stock with a value of approximately $203 at December 31, 2000.

The U.S. funded plan covering the parent company is the largest plan. Benefits are based on length of service and the employee's three highest consecutive years of compensation.

U.S. Plan Assumptions

	2000	*1999*
Weighted-average discount rate	7.50%	7.25%
Rate of increase in future compensation levels	5.00%	5.00%
Long-term rate of return on assets	9.50%	9.50%

All other pension plans used assumptions that are consistent with (but not identical to) those of the U.S. plan.

U.S. employees are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation which is matched by the Company. Defined contribution plans also cover employees in some subsidiaries in other countries, including Australia, France, Spain and the United Kingdom. Contributions charged to income for defined contribution plans were $80 in 2000, $92 in 1999 and $90 in 1998.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets at December 31

	2000	*1999*
Projected benefit obligation	$662	$693
Accumulated benefit obligation	575	597
Fair value of plan assets	57	55

Other Postretirement Benefits

The Company provides certain health care and life insurance benefits to retired employees. The Company funds most of the cost of these health care and life insurance benefits as incurred.

The U.S. plan covering the parent company is the largest plan. The plan provides health care benefits, including hospital, physicians' services, drug and major medical expense coverage, and life insurance benefits. For employees hired before January 1, 1993, the plan provides benefits supplemental to Medicare when retirees are eligible for these benefits. The Company and the retiree share the cost of these benefits, with the Company portion increasing as the retiree has increased years of credited service. There is a cap on the Company portion. The Company has the ability to change these benefits at any time.

U.S. Plan Assumptions

	2000	*1999*
Discount rate	7.50%	7.25%
Weighted-average 5-year projected medical cost trend, remaining constant thereafter	6.58 - 5.39%	6.98 - 5.39%
Long-term rate of return on assets	9.50%	9.50%

All other postretirement benefit plans used assumptions that are consistent with (but not identical to) those of the U.S. parent company plan.

Increasing the assumed medical cost trend rate by 1 percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2000 by $1 and the net periodic postretirement benefit cost for the year by $1. Decreasing the assumed medical cost trend rate by 1 percentage point in each year would decrease the accumulated postretirement benefit obligation at December 31, 2000 by $1 and the net periodic postretirement benefit cost for the year by $1.

Dollars in millions, except as noted

O Pension Plans and Other Postretirement Benefits - Continued

Net Periodic Cost for all Significant Plans

	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Service cost	$ 158	$ 165	$ 163	$ 20	$ 20	$ 21
Interest cost	431	416	418	89	86	91
Expected return on plan assets	(629)	(573)	(532)	(24)	(20)	(16)
Amortization of transition obligation	7	7	7	-	-	-
Amortization of prior service cost (credit)	20	18	18	(34)	(34)	(35)
Amortization of unrecognized (gain) loss	(32)	15	11	(4)	(2)	(2)
Net periodic cost (credit)	$ (45)	$ 48	$ 85	$ 47	$ 50	$ 59

Change in Benefit Obligation, Plan Assets and Funded Status of all Significant Plans

	Defined Benefit Pension Plans		Other Postretirement Benefits	
Change in benefit obligation	2000	1999	2000	1999
Benefit obligation at beginning of year	$ 6,524	$ 6,780	$ 1,257	$ 1,332
Service cost	158	165	20	20
Interest cost	431	416	89	86
Plan participants' contributions	6	7	-	-
Amendments	1	22	27	1
Actuarial changes in assumptions and experience	36	(303)	45	(81)
Acquisition/divestiture activity	(6)	13	-	5
Benefits paid	(396)	(403)	(104)	(98)
Currency impact	(113)	(173)	-	(8)
Benefit obligation at end of year	$ 6,641	$ 6,524	$ 1,334	$ 1,257
Change in plan assets				
Market value of plan assets at beginning of year	$ 8,301	$ 7,532	$ 304	$ 246
Actual return on plan assets	(40)	1,122	(22)	32
Employer contributions	28	24	-	24
Plan participants' contributions	6	6	-	-
Acquisition/divestiture activity	(1)	7	-	3
Benefits paid	(378)	(390)	-	(1)
Market value of plan assets at end of year	$ 7,916	$ 8,301	$ 282	$ 304
Funded status and net amounts recognized				
Plan assets in excess of (less than) benefit obligation	$ 1,275	$ 1,777	$ (1,052)	$ (953)
Unrecognized net transition obligation	7	9	1	1
Unrecognized prior service cost (credit)	137	154	(72)	(132)
Unrecognized net gain	(1,484)	(2,113)	(101)	(176)
Net amounts recognized in the consolidated balance sheets	$ (65)	$ (173)	$ (1,224)	$ (1,260)
Net amounts recognized in the consolidated balance sheets consist of:				
Accrued benefit liability	$ (569)	$ (602)	$ (1,224)	$ (1,260)
Prepaid benefit cost	403	294	-	-
Additional minimum liability - intangible asset	19	36	-	-
Accumulated other comprehensive income - pretax	82	99	-	-
Net amounts recognized in the consolidated balance sheets	$ (65)	$ (173)	$ (1,224)	$ (1,260)

P Commitments and Contingent Liabilities

In January 1994, Dow Corning Corporation (Dow Corning), in which the Company is a 50 percent shareholder, announced a pretax charge of $640 ($415 after tax) for the fourth quarter of 1993. In January 1995, Dow Corning announced a pretax charge of $241 ($152 after tax) for the fourth quarter of 1994. These charges included Dow Corning's best estimate of its potential liability for breast implant litigation based on a global Breast Implant Litigation Settlement Agreement (the Settlement Agreement); litigation and claims outside of the Settlement Agreement; and provisions for legal, administrative and research costs related to breast implants. The charges for 1993 and 1994 included pretax amounts of $1,240 and $441 less expected insurance recoveries of $600 and $200, respectively. The 1993 amounts reported by Dow Corning were determined on a present value basis. On an undiscounted basis, the estimated liability noted above for 1993 was $2,300 less expected insurance recoveries of $1,200.

As a result of the Dow Corning actions, the Company recorded its 50 percent share of the charges, net of tax benefits available to Dow. The impact on net income was a charge of $192 for 1993 and $70 for 1994.

Dow Corning reported an after-tax net loss of $167 for the second quarter of 1995 as a result of a $221 after-tax charge taken to reflect a change in accounting method from the present value basis noted above to an undiscounted basis resulting from the uncertainties associated with its voluntary filing for protection under Chapter 11 of the U.S. Bankruptcy Code on May 15, 1995. As a result of such loss and Chapter 11 filing, the Company recognized a pretax charge against income of $330 for the second quarter of 1995, fully reserved its investment in Dow Corning, and has reserved its 50 percent share of equity earnings through the third quarter of 2000 (see Note F).

On September 1, 1994, Judge Sam C. Pointer, Jr. of the U.S. District Court for the Northern District of Alabama approved the Settlement Agreement, pursuant to which plaintiffs choosing to participate in the Settlement Agreement released the Company from liability. The Company was not a participant in the Settlement Agreement nor was it required to contribute to the settlement. On October 7, 1995, Judge Pointer issued an order which concluded that the Settlement Agreement was not workable in its then-current form because the funds committed to it by industry participants were inadequate. The order provided that plaintiffs who had previously agreed to participate in the Settlement Agreement could opt out after November 30, 1995.

The Company's financial statement exposure for breast implant product liability claims against Dow Corning is limited to its investment in Dow Corning which, after the second quarter of 1995 charge, the reserving of its share of equity earnings through the third quarter of 2000, and the resumption of recognizing of its share of Dow Corning's earnings in the fourth quarter of 2000, is negligible. As a result, any future charges by Dow Corning related to such claims or as a result of the Chapter 11 proceeding would not have a material adverse impact on the Company's consolidated financial statements.

The Company is separately named as a defendant in more than 14,000 breast implant product liability cases, of which approximately 4,000 state cases are the subject of summary judgments in favor of the Company. In these situations, plaintiffs have alleged that the Company should be liable for Dow Corning's alleged torts based on the Company's 50 percent stock ownership in Dow Corning and that the Company should be liable by virtue of alleged "direct participation" by the Company or its agents in Dow Corning's breast implant business. These latter, direct participation claims include counts sounding in strict liability, fraud, aiding and abetting, conspiracy, concert of action and negligence.

Judge Pointer was appointed by the Federal Judicial Panel on Multidistrict Litigation to oversee all of the product liability cases involving silicone breast implants filed in the U.S. federal courts. Initially, in a ruling issued on December 1, 1993, Judge Pointer granted the Company's motion for summary judgment, finding that there was no basis on which a jury could conclude that the Company was liable for any claimed defects in the breast implants manufactured by Dow Corning. In an interlocutory opinion issued on April 25, 1995, Judge Pointer affirmed his earlier ruling as to plaintiffs' corporate control claims but vacated that ruling as to plaintiffs' direct participation claims.

On July 7, 1998, Dow Corning, the Company and Corning Incorporated (Corning), on the one hand, and the Tort Claimants' Committee in Dow Corning's bankruptcy on the other, agreed on a binding Term Sheet to resolve all tort claims involving Dow Corning's silicone medical products, including the claims against Corning and the Company (collectively, the Shareholders). The agreement set forth in the Term Sheet was memorialized in a Joint Plan of Reorganization (the Joint Plan) filed by Dow Corning and the Tort Claimants' Committee (collectively, the Proponents) on November 9, 1998. On February 4, 1999, the Bankruptcy Court approved the disclosure statement describing the Joint Plan. Before the Joint Plan could become effective, however, it was subject to a vote by the claimants, a confirmation hearing and all relevant provisions of the Bankruptcy Code. Voting was completed on May 14, 1999, and the confirmation hearing concluded on July 30, 1999.

P Commitments and Contingent Liabilities - Continued

On November 30, 1999, the Bankruptcy Court issued an Order confirming the Joint Plan, but then issued an Opinion on December 21, 1999 that, in the view of the Proponents and the Shareholders, improperly interpreted or attempted to modify certain provisions of the Joint Plan affecting the resolution of tort claims involving Dow Corning's silicone medical products against various entities, including the Shareholders. Many of the parties in interest, including the Shareholders, filed various motions and appeals seeking, among other things, a clarification of the December 21, 1999 Opinion. These motions and appeals were heard by U.S. District Court Judge Denise Page Hood on April 12 and 13, 2000, and on November 13, 2000, Judge Hood affirmed the Bankruptcy Court's November 30, 1999 Order confirming the Joint Plan and reversed, in part, the Bankruptcy Court's December 21, 1999 Opinion, including that portion of the Opinion the Shareholders had appealed. In turn, various parties in interest have appealed Judge Hood's decision to the United States Court of Appeals for the Sixth Circuit. The effectiveness of the Joint Plan remains subject to the resolution of those appeals. Accordingly, there can be no assurance at this time that the Joint Plan will become effective.

It is the opinion of the Company's management that the possibility is remote that plaintiffs will prevail on the theory that the Company should be liable in the breast implant litigation because of its shareholder relationship with Dow Corning. The Company's management believes that there is no merit to plaintiffs' claims that the Company is liable for alleged defects in Dow Corning's silicone products because of the Company's alleged direct participation in the development of those products, and the Company intends to contest those claims vigorously. Management believes that the possibility is remote that a resolution of plaintiffs' direct participation claims, including the vigorous defense against those claims, would have a material adverse impact on the Company's financial position or cash flows. Nevertheless, in light of Judge Pointer's April 25, 1995 ruling, it is possible that a resolution of plaintiffs' direct participation claims, including the vigorous defense against those claims, could have a material adverse impact on the Company's net income for a particular period, although it is impossible at this time to estimate the range or amount of any such impact.

Numerous lawsuits have been brought against the Company and other chemical companies alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane (DBCP) has caused, among other things, property damage, including contamination of groundwater. To date, there have been no verdicts or judgments against the Company in connection with these allegations. It is the opinion of the Company's management that the possibility is remote that the resolution of such lawsuits will have a material adverse impact on the Company's consolidated financial statements.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. The Company had accrued obligations of $325 at December 31, 2000 for environmental matters, including $9 for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although the ultimate cost with respect to these particular matters could range up to twice that amount. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies for handling site remediation and restoration. It is the opinion of the Company's management that the possibility is remote that costs in excess of those accrued or disclosed will have a material adverse impact on the Company's consolidated financial statements.

In addition to the breast implant, DBCP and environmental remediation matters, the Company is party to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested.

Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies provide coverage that will be utilized to minimize the impact, if any, of the contingencies described above.

Except for the possible effect on the Company's net income for breast implant litigation described above, it is the opinion of the Company's management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the Company's consolidated financial statements.

A Canadian subsidiary entered into two 20-year agreements, one that expired in 1998 and one that expires in 2004, to purchase ethylene. The purchase price is determined on a cost-of-service basis which, in addition to covering all operating expenses and debt service costs, provides the owner of the manufacturing plants with a specified return on capital. Total purchases under the agreements were $113 in 2000, $92 in 1999 and $221 in 1998.

At December 31, 2000, the Company had various outstanding commitments for take or pay and throughput agreements, including the Canadian subsidiary's ethylene contract, for terms extending from one to 20 years. In general, such commitments were at prices not in excess of current market prices.

Dollars in millions, except as noted

P Commitments and Contingent Liabilities - Continued

Fixed and Determinable Portion of Take or Pay and Throughput Obligations at December 31, 2000	
2001	$ 425
2002	407
2003	387
2004	343
2005	312
2006 through expiration of contracts	2,089
Total	$3,963

In addition to the take or pay obligations at December 31, 2000, the Company had outstanding purchase commitments which ranged from one to 20 years for steam, electrical power, materials, property and other items used in the normal course of business of approximately $117. In general, such commitments were at prices not in excess of current market prices. The Company also had outstanding direct and indirect commitments for construction performance and lease payment guarantees and other obligations of $465. The Company is also committed to lease manufacturing facilities under construction in Argentina and The Netherlands.

Q Supplementary Information

Accrued and Other Current Liabilities at December 31	*2000*	*1999*
Accrued payroll	$ 241	$ 338
Accrued vacations	183	186
Employee retirement plans	132	115
Interest payable	114	120
Accrued miscellaneous taxes	146	119
Insurance companies' reserves	242	209
Deferred income	219	385
Other	628	490
Total	$1,905	$1,962

Sundry Income - Net	*2000*	*1999*	*1998*
Royalty income (1)	-	$ 45	$ 32
Gain on sales of assets and securities (2)	$208	62	841
Foreign exchange gain (loss)	42	77	(4)
Other - net	59	77	47
Total	$309	$261	$916

(1) Included in net sales beginning in 2000.
(2) 2000 includes a gain on sale of Cochin pipeline system of $98 (see Note C), and impairment losses of $77 for disposition in February 2001 of businesses related to the merger with Union Carbide.

Other Supplementary Information	*2000*	*1999*	*1998*
Cash payments for interest	$554	$477	$522
Cash payments for income taxes	748	670	720
Provision for doubtful receivables	19	49	9

Q Supplementary Information - Continued

Earnings Per Share Calculations

Shares in millions	2000 Basic	2000 Diluted	1999 Basic	1999 Diluted	1998 Basic	1998 Diluted
Net income available for common stockholders	$1,513	$1,513	$1,326	$1,326	$1,304	$1,304
Add back preferred stock dividends	-	-	-	5	-	6
Net income for EPS calculations	$1,513	$1,513	$1,326	$1,331	$1,304	$1,310
Weighted-average common shares outstanding	676.0	676.0	660.2	660.2	670.6	670.6
Add back effect of dilutive securities:						
Stock options and awards	-	6.5	-	9.1	-	7.1
Converted preferred stock	-	0.5	-	4.0	-	4.1
Weighted-average common shares for EPS calculations	676.0	683.0	660.2	673.3	670.6	681.8
Earnings per common share	$ 2.24	$ 2.22	$ 2.01	$ 1.98	$ 1.94	$ 1.92

Sales of Trade Accounts Receivables

The Company is party to an agreement under which certain qualifying trade accounts receivables are sold. The uncollected balance of sold receivables at December 31, 2000 was approximately $100. Accounts receivable sales activity is summarized below:

	2000	1999	1998
Average quarterly amount sold	$466	$525	$89
Average quarterly discount on sales	2	2	-

R Operating Segments and Geographic Areas

Dow is a diversified, worldwide manufacturer and supplier of more than 2,500 products. The Company's wide range of products are used primarily as raw materials in the manufacture of customer products and services. The Company serves the following industries: aerospace, appliance, automotive, agriculture, building and construction, chemical processing, electronics, furniture, housewares, insurance and finance, oil and gas, packaging, processed foods, pulp and paper, utilities and water treatment.

Dow conducts its worldwide operations through global businesses, which are aggregated into reportable operating segments based on the nature of the products and production processes, end-use markets, channels of distribution and regulatory environment. The reportable operating segments are: Performance Plastics, Performance Chemicals, Agricultural Products, Plastics, Chemicals, and Hydrocarbons and Energy. The Corporate Profile on pages 4–7 describes the operating segments and how they are aggregated.

Transfers between operating segments are generally valued at cost. Transfers of products to the Agricultural Products segment from the other segments, however, are generally valued at market-based prices. The revenues generated by these transfers are shown in the following table as "Intersegment revenues."

The "Unallocated and Other" column in the following table contains the reconciliation between the totals for reportable segments and the Company totals. It represents the operating segments which do not meet the quantitative threshold for determining reportable segments, research and other expenses related to developmental activities in Growth Platforms, and other corporate items not allocated to the operating segments.

Dollars in millions, except as noted

R Operating Segments and Geographic Areas - Continued

Operating Segment Information

	Performance Plastics	Performance Chemicals	Agricultural Products	Plastics	Chemicals	Hydrocarbons and Energy	Unallocated and Other	Total
2000								
Sales to external customers	$6,115	$3,164	$2,346	$5,753	$2,882	$2,425	$ 323	$23,008
Intersegment revenues	13	26	-	-	34	-	(73)	-
Equity earnings - nonconsolidated affiliates	31	25	(9)	149	51	36	(12)	271
IPR&D and special charges (1)	6	-	-	-	-	-	-	6
EBIT (2)	749	341	212	1,023	539	121	(196)	2,789
Total assets	4,995	2,805	3,448	5,154	2,608	1,519	7,116	27,645
Investment in nonconsolidated affiliates	213	19	57	538	-	196	65	1,088
Depreciation and amortization	313	198	185	292	204	97	26	1,315
Capital expenditures	261	177	121	248	284	248	10	1,349
1999								
Sales to external customers	$5,534	$2,837	$2,334	$4,715	$2,570	$1,662	$ 337	$19,989
Intersegment revenues	12	15	-	1	25	-	(53)	-
Equity earnings - nonconsolidated affiliates	29	5	(6)	54	11	13	(24)	82
IPR&D and special charges (1)	-	6	94	-	-	-	-	100
EBIT (2)	1,052	500	125	636	424	(5)	(256)	2,476
Total assets	4,354	2,597	3,346	4,602	2,322	1,701	6,577	25,499
Investment in nonconsolidated affiliates	122	53	82	736	90	192	84	1,359
Depreciation and amortization	307	162	190	305	209	96	32	1,301
Capital expenditures	311	178	122	230	307	259	5	1,412
1998								
Sales to external customers	$5,349	$2,771	$2,408	$4,034	$2,612	$1,497	$ 771	$19,442
Intersegment revenues	15	10	-	2	42	-	(69)	-
Equity earnings - nonconsolidated affiliates	20	6	(1)	14	21	9	(5)	64
IPR&D and special charges (1)	-	-	337	-	113	-	357	807
EBIT (2)	1,089	427	(209)	607	193	(5)	264	2,366
Total assets	4,501	2,177	3,938	3,922	2,448	1,849	4,995	23,830
Investment in nonconsolidated affiliates	106	32	65	777	75	140	116	1,311
Depreciation and amortization	303	168	196	248	239	97	54	1,305
Capital expenditures	368	163	129	339	328	170	49	1,546

(1) See Note B for a discussion of Purchased In-Process Research and Development (IPR&D) and Special Charges.
(2) The reconciliation between "Earnings before Interest, Income Taxes and Minority Interests (EBIT)" and "Income before Income Taxes and Minority Interests" consists of "Interest income" and "Interest expense and amortization of debt discount," and can be found in the Consolidated Statements of Income on page 31.

The Company operates 141 manufacturing sites in 32 countries. The United States is home to 47 of these sites, representing 54 percent of the Company's long-lived assets. Sales are attributed to geographic areas based on customer location. Long-lived assets are attributed to geographic areas based on asset location. Sales and assets for Africa are reported in Europe. At December 31, 2000, long-lived assets located in Germany represented 12.5 percent of the total.

Geographic Area Information

	United States	Europe	Rest of World	Total
2000				
Sales to external customers	$8,863	$7,816	$6,329	$23,008
Long-lived assets	4,988	2,423	1,779	9,190
1999				
Sales to external customers	$7,863	$6,789	$5,337	$19,989
Long-lived assets	4,572	2,103	1,815	8,490
1998				
Sales to external customers	$7,796	$6,665	$4,981	$19,442
Long-lived assets	4,262	2,400	1,785	8,447

Dollars in millions, except as noted

S Merger with Union Carbide Corporation

On February 6, 2001, the Company completed its merger with Union Carbide in a tax-free, stock-for-stock transaction. Dow issued 1.611 shares of common stock for each share of Union Carbide common stock outstanding, or approximately 219 million shares. The Company expects to account for the merger as a pooling of interests and, accordingly, historical financial information in future reports will be restated to include Union Carbide. The following unaudited pro forma information summarizes the combined results of the Company and Union Carbide as if the merger had occurred at the beginning of 1998.

Pro forma Information

(Unaudited)	*2000*	*1999*	*1998*
Net sales	$29,534	$25,859	$25,101
Net income available for common stockholders	1,675	1,617	1,707
Earnings per common share - basic	1.88	1.85	1.92
Earnings per common share - diluted	1.85	1.82	1.89
Total assets	36,409	33,898	31,585
Total stockholders' equity	11,840	10,997	9,947

The Dow Chemical Company and Subsidiaries

Quarterly Statistics

In millions, except for per share amounts *(Unaudited)*

2000	*1st*	*2nd*	*3rd*	*4th*	*Year*
Net sales (1)	$5,652	$5,912	$5,811	$5,633	$23,008
IPR&D and special charges	-	-	-	6	6
Earnings before interest, income taxes and minority interests	763	926	630	470	2,789
Net income available for common stockholders	415	527	328	243	1,513
Earnings per common share - basic (2)	0.62	0.78	0.48	0.36	2.24
Earnings per common share - diluted (2)	0.61	0.77	0.48	0.36	2.22
Common stock dividends declared per share (2)	0.29	0.29	0.29	0.29	1.16
Market price range of common stock: (2, 3)					
High	47.17	41.83	33.88	38.38	47.17
Low	30.67	30.06	23.88	23.00	23.00

1999	*1st*	*2nd*	*3rd*	*4th*	*Year*
Net sales (1)	$4,664	$4,883	$4,964	$5,478	$19,989
IPR&D and special charges	-	-	-	100	100
Earnings before interest, income taxes and minority interests	655	742	584	495	2,476
Net income available for common stockholders	329	410	320	267	1,326
Earnings per common share - basic (2)	0.50	0.62	0.49	0.40	2.01
Earnings per common share - diluted (2)	0.49	0.61	0.48	0.40	1.98
Common stock dividends declared per share (2)	0.29	0.29	0.29	0.29	1.16
Market price range of common stock: (2, 3)					
High	33.83	46.00	44.81	45.40	46.00
Low	28.50	30.83	35.42	34.46	28.50

(1) Adjusted for reclassification of freight on sales.

(2) Adjusted for 3-for-1 stock split in 2000.

(3) Composite price as reported on the New York Stock Exchange.

See Notes to Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no reported disagreement on any matter of accounting principles or procedures or financial statement disclosure in 2000 with the Independent Auditors.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to Directors and executive officers of the Company is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001, and is incorporated herein by reference. See also the information concerning executive officers of the registrant set forth in Part I under the caption "Executive Officers of the Registrant" in reliance on General Instruction G to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to beneficial ownership of the common stock as of February 9, 2001, by each Director and all Directors and officers of the Company as a group is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be on held May 10, 2001, and is incorporated herein by reference.

Information relating to any person who beneficially owns in excess of 5 percent of the total outstanding shares of Dow common stock is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be on held May 10, 2001, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no such reportable relationships or related transactions in 2000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. The Company's 2000 Consolidated Financial Statements and the Independent Auditors' Report are included in Item 8 of Part II.

2. Financial Statement Schedules.

   The following Financial Statement Schedule should be read in conjunction with the Financial Statements included in Item 8 of this Annual Report on Form 10-K:

Schedule II	Valuation and Qualifying Accounts	Page 65

   Schedules other than the one listed above are omitted because of the absence of the conditions under which they are required or because the information called for is included in the Financial Statements or Notes thereto.

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K - Continued

3. Exhibits -- See the Exhibit Index on pages 67–68 of this Annual Report on Form 10-K for exhibits filed with this Annual Report on Form 10-K (see below) and for exhibits incorporated by reference.

   The Company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the Vice President and Controller of the Company at the address of the Company's principal executive offices.

   The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K:

3(i)	A copy of the Restated Certificate of Incorporation of The Dow Chemical Company.
3(ii)	A copy of the Bylaws of The Dow Chemical Company, as re-adopted in full on February 11, 1999, effective February 10, 1999; and as amended February 8, 2001, effective March 1, 2001.
10(r)	A copy of The Dow Chemical Company Elective Deferral Plan as amended and restated as of January 1, 2001.
21	Subsidiaries of The Dow Chemical Company.
23	Independent Auditors' Consent.

(b) Reports on Form 8-K:

On December 22, 2000, the Company filed a Current Report on Form 8-K attaching a letter agreement executed by Union Carbide Corporation and the Company stating that each of the parties agrees not to exercise any right it may have to terminate their merger agreement pursuant to Section 8.2(i) thereof prior to March 31, 2001.

On February 5, 2001, the Company filed a Current Report on Form 8-K that included the press release issued on January 25, 2001, announcing the fourth quarter 2000 earnings for the Company.

On February 6, 2001, the Company filed a Current Report on Form 8-K that included the press release announcing it had received clearance from the U.S. Federal Trade Commission for its merger with Union Carbide Corporation.

On February 6, 2001, the Company filed a Current Report on Form 8-K that included the press release announcing it had completed its merger with Union Carbide Corporation. Additionally, the companies announced the amounts, record dates and payable dates of the pro rata dividends that would be paid to Dow and Union Carbide stockholders.

On February 20, 2001, the Company filed a Current Report on Form 8-K describing the merger with Union Carbide Corporation, as required by Item 2 of that report; and noting that all financial statements and pro forma financial information required by Item 7 would be provided in the manner and within the time frame required.

TRADEMARKS

The following trademarks of The Dow Chemical Company appear in this report: Affinity, Amplify, Aspun, Attane, Blox, Calibre, Covelle, D.E.H., D.E.N., D.E.R., Derakane, Derakane Momentum, Dow, Dowanol, Dowex, Dowfax, Dowicil, Dowlex, Dowper, Dowtherm, Drytech, Elite, Emerge, Envision, Ethafoam, Ethocel, Fulcrum, Immotus, Insite, Inspire, Instill, Integral, Isobind, Isonate, Isoplast, Lamdex, Lifespan, Liquidow, Magnum, Maxistab, Methocel, Opticite, Optim, Papi, Peladow, Pellethane, Prevail, Primacor, Procite, Propel, Pulse, Quash, Questra, Retain, Safe-Tainer, Saran, Saranex, Specflex, Spectrim, Strandfoam, Styrofoam, Styron, Styron A-Tech, Synalox, Synergy, Syntegra, Tanklite, The Enhancer, Trenchcoat, Trycite, Trymer, Tyril, Versene, Voracor, Voralast, Voralux, Voranate, Voranol, Zetabon

The following trademarks of Dow AgroSciences LLC appear in this report: Clincher, Dursban, FirstRate, Fortress, Garlon, Glyphomax, Grandstand, Lontrel, Lorsban, Mustang, Naturalyte, Sentricon, Spider, Starane, Stinger, Strongarm, Telone, Tordon, Tracer, Treflan, Vikane

The following trademark of American Chemistry Council appears in this report: Responsible Care

The following registered trademark of Dow Corning Corporation appears in this report: Syltherm

The following trademarks of Essex Specialty Products, Inc., appear in this report: Betabrace, Betadamp, Betafoam, Betaguard, Betamate, Betaseal

The following trademark of FilmTec Corporation appears in this report: FilmTec

The following trademarks of Flexible Products Company appear in this report: Great Stuff, Insta-stik

The following trademark of Hampshire Chemical Corp. appears in this report: Hamposyl

The following trademark of Mycogen Corporation appears in this report: Mycogen

The following trademark of Phytogen Seed Company, LLC appears in this report: Phytogen

The following registered trademark of Solutia Inc. is used by The Dow Chemical Company under license and appears in this report: Vydyne

The Dow Chemical Company and Subsidiaries
Valuation and Qualifying Accounts

(In millions) For the Years Ended December 31

COLUMN A Description	COLUMN B Balance at Beginning of Year	COLUMN C Additions to Reserves	COLUMN D Deductions from Reserves	COLUMN E Balance at End of Year
2000				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	$107	$ 39	$ 54 (a)	$ 92
Other investments and noncurrent receivables	323	22	29	316
Accumulated goodwill amortization	351	88	34	405
1999				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	$ 93	$ 64	$ 50 (a)	$107
Other investments and noncurrent receivables	712	32	421 (b)	323
Accumulated goodwill amortization	246	122	17	351
1998				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	$ 73	$ 35	$ 15 (a)	$ 93
Other investments and noncurrent receivables	586	153	27	712
Accumulated goodwill amortization	211	65	30	246

	2000	*1999*	*1998*
(a) Deductions represent:			
Notes and accounts receivable written off	$31	$37	$12
Credits to profit and loss	19	12	-
Miscellaneous other	4	1	3
	$54	$50	$15

(b) Includes adjustment to the Company's estimated reserve for its investment in Dow Corning based on Dow Corning's 1998 audited financial statements issued in July 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of March, 2001.

THE DOW CHEMICAL COMPANY

By: /s/ F. H. Brod
F. H. Brod, Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 9th day of March, 2001 by the following persons in the capacities indicated:

/s/ W. S. Stavropoulos
W. S. Stavropoulos, Director and Chairman of the Board

/s/ M. D. Parker
M. D. Parker, Director, President and Chief Executive Officer

/s/ J. P. Reinhard
J. P. Reinhard, Director, Executive Vice President and Chief Financial Officer

/s/ F. H. Brod
F. H. Brod, Vice President and Controller

/s/ A. A. Allemang
A. A. Allemang, Director and Executive Vice President

/s/ J. K. Barton
J. K. Barton, Director

/s/ A. J. Carbone
A. J. Carbone, Director and Vice Chairman of the Board

/s/ J. M. Cook
J. M. Cook, Director

/s/ J. C. Danforth
J. C. Danforth, Director

/s/ W. D. Davis
W. D. Davis, Director

/s/ B. H. Franklin
B. H. Franklin, Director

/s/ A. D. Gilmour
A. D. Gilmour, Director

/s/ W. H. Joyce
W. H. Joyce, Director and Vice Chairman of the Board

/s/ J. M. Ringler
J. M. Ringler, Director

/s/ H. T. Shapiro
H. T. Shapiro, Director

/s/ P. G. Stern
P. G. Stern, Director

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2	Agreement and Plan of Merger dated as of August 3, 1999 among Union Carbide Corporation, The Dow Chemical Company and Transition Sub Inc., incorporated by reference to Annex A to the proxy statement/ prospectus included in The Dow Chemical Company's Registration Statement on Form S-4, File No. 333-88443, filed October 5, 1999.
3(i)	A copy of the Restated Certificate of Incorporation of The Dow Chemical Company.
3(ii)	A copy of the Bylaws of The Dow Chemical Company, as re-adopted in full on February 11, 1999, effective February 10, 1999; and as amended February 8, 2001, effective March 1, 2001.
10(a)	The Dow Chemical Company Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10(a) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992.
10(b)	The Dow Chemical Company 1972 Option Plan, as amended through December 31, 1982 (included as a part of and incorporated by reference to the Prospectus contained in Post-Effective Amendment No. 13 to The Dow Chemical Company's Registration Statement on Form S-8, File No. 2-44789, filed June 23, 1983).
10(c)	The Dow Chemical Company 1979 Award and Option Plan, as amended through May 1983 (included as part of and incorporated by reference to the Prospectus contained in Post-Effective Amendment No. 4 to The Dow Chemical Company's Registration Statement on Form S-8, File No. 2-64560, filed June 23, 1983), as amended April 12, 1984 (incorporated by reference to Exhibit 10(ff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1984), as amended April 18, 1985 (incorporated by reference to Exhibit 10(fff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1985), as amended October 30, 1987 (incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1987).
10(d)	The Dow Chemical Company Voluntary Deferred Compensation Plan for Outside Directors, as amended effective as of July 1, 1994, incorporated by reference to Exhibit 10(f) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994, as amended in the manner described in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998, incorporated by reference.
10(e)	The Dow Chemical Company Executive Post Retirement Life Insurance Program, incorporated by reference to Exhibit 10(g) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992.
10(f)	The Dow Chemical Company Outside Directors' Pension Plan, incorporated by reference to Exhibit 10(h) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992, as amended in the manner described in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998, incorporated by reference.
10(g)	The Dow Chemical Company Dividend Unit Plan, incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992.
10(h)	The Dow Chemical Company 1988 Award and Option Plan (included as part of and incorporated by reference to the Prospectus contained in The Dow Chemical Company's Registration Statement on Form S-8, File No. 33-21748, filed May 16, 1988), as amended during 1991 (incorporated by reference to Exhibit 10(k) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1991), as amended effective as of January 1, 1997 (incorporated by reference to Appendix A to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 15, 1997).

Exhibit Index - Continued

EXHIBIT NO.	DESCRIPTION
10(i)	The Dow Chemical Company Executive Split Dollar Life Insurance Plan Agreement, as amended effective as of December 19, 1994, incorporated by reference to Exhibit 10(m) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1995.
10(j)	The Dow Chemical Company 1994 Executive Performance Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 12, 1994.
10(k)	The Dow Chemical Company 1994 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10(o) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994.
10(l)	A written description of the one-time grant of shares of the common stock of The Dow Chemical Company to new non-employee Directors, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001.
10(m)	A written description of the 1998 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998.
10(n)	A written description of compensation for Directors of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001.
10(o)	A written description of the manner in which compensation is set for the Executive Officers of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001.
10(p)	A resolution adopted by the Board of Directors of The Dow Chemical Company on May 5, 1971, and most recently amended on July 9, 1998, describing the employee compensation program for decelerating Directors, incorporated by reference to Exhibit 10(p) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1998.
10(q)	The Dow Chemical Company Key Employee Insurance Program ("KEIP"), which provides benefits using insurance policies that replace benefits otherwise payable under The Dow Chemical Company Executive Supplemental Retirement Plan and Company-Paid Life Insurance Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 10, 2001.
10(r)	A copy of The Dow Chemical Company Elective Deferral Plan as amended and restated as of January 1, 2001.
21	Subsidiaries of The Dow Chemical Company.
23	Independent Auditors' Consent.

The Dow Chemical Company
Restated Certificate of Incorporation

Originally incorporated on June 11, 1947, as The Dow Chemical Company (Delaware)

Article I
NAME

The name of the corporation (which is hereinafter referred to as the "Company") is The Dow Chemical Company.

Article II
ADDRESS OF REGISTERED OFFICE; NAME OF REGISTERED AGENT

The address of the registered office of the Company in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

Article III
PURPOSE AND POWERS

The purpose of the Company is to engage in any lawful act or activity for which a corporation may now or hereafter be organized under the General Corporation Law of Delaware. It shall have all powers that may now or hereafter be lawful for a corporation to exercise under the General Corporation Law of Delaware.

Article IV
CAPITAL STOCK

Section 4.1 **Total Number of Shares of Stock**. The total number of shares of stock of all classes that the Company shall have authority to issue is one billion seven hundred fifty million shares. The authorized capital stock is divided into two hundred fifty million shares of Preferred Stock of the par value of one dollar each (hereinafter the "Preferred Stock") and one billion five hundred million shares of Common Stock of the par value of two dollars and fifty cents each (hereinafter the "Common Stock").

Section 4.2 **Preferred Stock.**

(a) The two hundred fifty million shares of Preferred Stock of the Company may be issued from time to time in one or more series, the shares of each series to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein or in the resolution or resolutions providing for the issue of such series, adopted by the Board of Directors as hereinafter provided.

(b) Authority is hereby expressly granted to the Board of Directors of the Company, subject to the provisions of this Article IV and to the limitations prescribed by the General Corporation Law of Delaware, to authorize the issue of one or more series of Preferred Stock and with respect to each such series to fix by resolution or resolutions providing for the issue of such series the voting powers, full or limited, if any, of the shares of such series and the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the determination or fixing of the following:

(i) The designation of such series;

(ii) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or any other series of any class of stock of the Company, and whether such dividends shall be cumulative or non-cumulative;

(iii) Whether the shares of such series shall be subject to redemption by the Company and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(iv) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series;

(v) Whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes of any stock or any other series of any class of stock of the Company, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

(vi) The extent, if any, to which the holders of shares of such series shall be entitled to vote with respect to the election of directors or otherwise;

(vii) The restrictions, if any, on the issue or reissue of any additional Preferred Stock; and

(viii) The rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, the Company.

Section 4.3 **Common Stock**. The one billion five hundred million shares of Common Stock of the Company shall be of one and the same class. Subject to all of the rights of the Preferred Stock provided for by resolution or resolutions of the Board of Directors pursuant to this Article IV or by the General Corporation Law of Delaware, the holders of Common Stock shall have full voting powers on all matters requiring stockholder action, each share of such Common Stock being entitled to one vote and having equal rights of participation in the dividends and assets of the Company.

Article V
BOARD OF DIRECTORS

Section 5.1 **Power of the Board of Directors**. The business and affairs of the Company shall be managed by or under the direction of its Board of Directors. In furtherance, and not in limitation, of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to:

(a) Amend, alter, change, adopt or repeal the Bylaws of the Company; **provided**, however, that no Bylaws hereafter adopted shall invalidate any prior act of the directors that would have been valid if such Bylaws had not been adopted;

(b) Determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the business and affairs of the Company, including the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Company, and to determine the time and place of, and the notice requirements for Board meetings, as well as quorum and voting requirements for, and the manner of taking Board action; and

(c) Exercise all such powers and do all such acts as may be exercised by the Company, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and any Bylaws of the Company.

Section 5.2 **Number of Directors**. The number of directors constituting the entire Board of Directors shall be not less than six nor more than twenty-one, as authorized from time to time exclusively by a vote of a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of directors that the Company would have if there were no vacancies.

Section 5.3 **Classified Board**. At the 1986 Annual Meeting of Stockholders, the directors shall be divided into three classes, with respect to the time that they severally hold office, as nearly equal in number as possible, with the initial term of office of the first class of directors to expire at the 1987 Annual Meeting of Stockholders, the initial term of office of the second class of directors to expire at the 1988 Annual Meeting of Stockholders and the initial term of office of the third class of directors to expire at the 1989 Annual Meeting of Stockholders. Commencing with the 1987 Annual Meeting of Stockholders, directors elected to succeed those directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election, and upon the election and qualification of their successors. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one.

Section 5.4 **Vacancies**. Any vacancies in the Board of Directors for any reason and any newly created directorships resulting by reason of any increase in the number of directors may be filled only by the Board of Directors, acting by a majority of the remaining directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors have been chosen and until their successors are elected and qualified.

Section 5.5 **Removal of Directors**. Any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class.

Article VI
INDEMNIFICATION; LIMITATION OF LIABILITY

Section 6.1 **Indemnification**. Directors, officers, employees and agents of the Company may be indemnified by the Company to such extent as is permitted by the laws of the State of Delaware and as the Bylaws may from time to time provide.

Section 6.2 **Limitation of Liability of Directors**. A Director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a Director to the fullest extent permitted by the General Corporation Law of Delaware as the same now exists or hereafter may be amended.

Article VII
BUSINESS COMBINATION TRANSACTIONS

Section 7.1 **Higher Vote Required for Certain Business Combinations**. In addition to any affirmative vote required by the General Corporation Law of Delaware and except as otherwise expressly provided in Section 7.3 of this Article VII, any Business Combination Transaction (as defined in Section 7.2(c) below) shall require the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

Section 7.2 **Certain Definitions**. For purposes of this Article VII:

(a) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on December 31, 1985.

(b) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on December 31, 1985.

(c) "Business Combination Transaction" shall mean:

(i) Any merger or consolidation of the Company or any Subsidiary with (A) an Interested Stockholder or (B) any other Person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Company or any Subsidiary constituting not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iii) The issuance or transfer by the Company or any Subsidiary (in one transaction or a series of transactions) of any securities of the Company or any Subsidiary to, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) constituting not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iv) The adoption of any plan or proposal for the liquidation or dissolution of the Company, or any spin-off or split-up of any kind of the Company or any Subsidiary, proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) Any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (A) any class of equity securities of the Company or any Subsidiary or (B) any class of securities of the Company or any Subsidiary convertible into equity securities of the Company or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates.

(d) "Continuing Director" means (i) any member of the Board of Directors of the Company who (A) is neither the Interested Stockholder involved in the Business Combination Transaction as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (B) was a member of the Board of Directors of the Company prior to the time that such Interested Stockholder became an Interested Stockholder, and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Company.

(e) "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar interdealer quotation system then in use, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(f) "Interested Stockholder" shall mean any Person (other than the Company or any Subsidiary, any employee benefit plan maintained by the Company or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) Is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock of the Company; or

(ii) Is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of 10% or more of the voting power of the outstanding Voting Stock of the Company; or

(iii) Is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Company of which an Interested Stockholder was the Beneficial Owner, directly or indirectly, at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Company shall include unissued shares of Voting Stock of the Company of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Company which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

(g) A "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person pursuant to Section 14(d)(2) of the Exchange Act.

(h) "Subsidiary" means any corporation of which the Company owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Company is the Beneficial Owner but, except for the purposes of Section 7.2(f), shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Company.

(i) "Voting Stock" shall mean outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of directors.

Section 7.3 **When Higher Vote Is Not Required**. The provisions of Section 7.1 of this Article VII shall not be applicable to any particular Business Combination Transaction, and such Business Combination Transaction shall require only such affirmative vote of the stockholders, if any, as is required by the General Corporation Law of Delaware, if the conditions specified in either of the following paragraphs (a) and (b) are met:

(a) Approval by Continuing Directors. The Business Combination Transaction shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

(b) Form of Consideration, Price and Procedure Requirements. All of the following conditions shall have been met:

(i) With respect to each share of each class of outstanding Voting Stock of the Company (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination Transaction (the "Consummation Date"), cash and consideration, in the form specified in Section 7.3 (b) (ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(A) The highest per share price (including brokerage commissions, transfer taxes and soliciting dealer's fees) paid by the Interested Stockholder to which the Business Combination Transaction relates, or by any Affiliate or Associate of such Interested Stockholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination Transaction (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(B) The Fair Market Value per share of such class of Voting Stock of the Company on the Announcement Date; and

(C) The highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Company are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company.

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Company (including Common Stock) as described in Section 7.3(b)(i) hereof shall be in cash or, if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted, in whole or in part, of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Company has been made in varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date: (A) there shall have been no failure to declare and pay at the regular date therefor any full dividends (whether or not cumulative) on the outstanding Preferred Stock of the Company, if any, except as approved by the affirmative vote of a majority of the Continuing Directors; (B) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Company (except as necessary to reflect any subdivision of the Common Stock), except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (C) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Company except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(iv) After such Interested Stockholder has become an Interested Stockholder, neither such Interested Stockholder nor any Affiliate or Associate thereof shall have received the benefit, directly or indirectly (except proportionately as a stockholder of the Company), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Company.

(v) A proxy or information statement describing the proposed Business Combination Transaction and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Company at least 30 days prior to the Consummation Date (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

Section 7.4 **Powers of Continuing Directors**. A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article VII, including, without limitation, (a) whether a Person is an Interested Stockholder, (b) the number of shares of Voting Stock of the Company beneficially owned by any Person, (c) whether a Person is an Affiliate or Associate of another, (d) whether the requirements of Section 7.3 (b) have been met with respect to any Business Combination Transaction, and (e) whether the assets which are the subject of any Business Combination Transaction have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination Transaction constitutes not less than 5% of the total assets of the Company as reported in the consolidated balance sheet of the Company as of the end of the most recent quarter with respect to which such balance sheet has been prepared. The good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article VII.

Section 7.5 **No Effect on Fiduciary Obligations.**

(a) Nothing contained in this Article VII shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

(b) The fact that any Business Combination Transaction complies with the provisions of Section 7.3 of this Article VII shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination Transaction or recommend its adoption or approval to the stockholders of the Company, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination Transactions.

Article VIII
MEETINGS OF STOCKHOLDERS

Any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of stockholders of the Company and may not be effected by any consent in writing by such stockholders. Except as otherwise provided for in the Bylaws, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors, either upon motion of a director or upon written request by the holders of at least 50% of the voting power of all the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class.

Article IX
AMENDMENT OF BYLAWS

In addition to any requirements of the General Corporation Law of Delaware (and notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware), the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders of the Company to amend, alter, change, adopt or repeal any Bylaws of the Company, unless such amendment, alteration, change, adoption or repeal of the Bylaws is determined to be advisable by the Board of Directors by the affirmative vote of (a) two-thirds of the entire Board of Directors and (b) a majority of the Continuing Directors (as defined in Article VII).

Article X
AMENDMENT OF CERTIFICATE OF INCORPORATION

The Company hereby reserves the right to amend, alter, change or repeal any provision contained in this Certificate of incorporation in the manner now or hereafter prescribed by the General Corporation Law of Delaware and all rights conferred on stockholders therein granted are subject to this reservation; provided, however, that, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, the affirmative vote of the holders of at least 80% of the voting power of all of the shares of capital stock of the Company then entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provision or provisions inconsistent with, any provision of Article IV, V, VI, VII, VIII, IX or X hereof, unless such amendment, alteration, change, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of (a) two-thirds of the entire Board of Directors and (b) a majority of the Continuing Directors (as defined in Article VII).

The Dow Chemical Company
Bylaws

(As re-adopted in full on February 11, 1999, effective February 10, 1999;
and as amended February 8, 2001, effective March 1, 2001.)

Section I
CAPITAL STOCK

Section 1.1. **Certificates.** Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company by the Chairman of the Board of Directors or the President or an Executive Vice President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 1.2. **Record Ownership.** The certificates of each class or series of a class of stock shall be numbered consecutively. A record of the name and address of the holder of each certificate, the number of shares represented thereby and the date of issue thereof shall be made on the Company's books. The Company shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as required by the laws of the State of Delaware.

Section 1.3. **Transfer of Record Ownership.** Transfers of stock shall be made on the books of the Company only by direction of the person named in the certificate or such person's attorney, lawfully constituted in writing, and only upon the surrender of the certificate therefor and a written assignment of the shares evidenced thereby, which certificate shall be canceled before the new certificate is issued.

Section 1.4. **Lost Certificates.** Any person claiming a stock certificate in lieu of one lost, stolen or destroyed shall give the Company an affidavit as to such person's ownership of the certificate and of the facts which go to prove its loss, theft or destruction. Such person shall also, if required by policies adopted by the Board of Directors, give the Company a bond, in such form as may be approved by the General Counsel or his or her staff, sufficient to indemnify the Company against any claim that may be made against it on account of the alleged loss of the certificate or the issuance of a new certificate.

Section 1.5. **Transfer Agents; Registrars; Rules Respecting Certificates.** The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars. The Board of Directors may make such further rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates of the Company.

Section 1.6. **Record Date.** The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, payment of dividend or other distribution, allotment of rights or change, conversion or exchange of capital stock or for the purpose of any other lawful action, as the record date for determination of the stockholders entitled to notice of and to vote at any such meeting and any adjournment thereof, or to receive any such dividend or other distribution or allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to participate in any such other lawful action, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of and to vote at such meeting and any adjournment thereof, or to receive such dividend or other distribution or allotment of rights, or to exercise such rights, or to participate in any such other lawful action, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as aforesaid.

Section II
MEETINGS OF STOCKHOLDERS

Section 2.1. **Annual.** The annual meeting of stockholders for the election of Directors and the transaction of such other proper business shall be held during the month of May each year at a time and place, within or without Delaware, as determined by the Board of Directors.

Section 2.2. **Special.** Special meetings of stockholders for any purpose or purposes may be called only by the Board of Directors, pursuant to a resolution adopted by a majority of the entire Board of Directors, either upon motion of a Director or upon written request by the holders of at least fifty percent of the voting power of all the shares of capital stock of the Company then outstanding and entitled to vote generally in the election of Directors. Any such request by stockholders shall be delivered to, or mailed and received by, the Secretary of the Company at the Company's principal executive offices, shall set forth the purpose or purposes of the meeting, and shall be in proper form. To be proper form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder(s) propose(s) to bring before the meeting:

(a) The name and record address of each such stockholder;

(b) The class or series and number of shares of capital stock of the Company that are owned beneficially or of record by each such stockholder;

(c) A brief description of each proposed item of business desired to be brought before the meeting, including the text of any proposed amendment to the Certificate of Incorporation or these Bylaws;

(d) A description of all arrangements or understandings between each such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interests of such stockholder in such business; and

(e) A representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

At any such special meeting, only such business may be transacted as is related to the purpose or purposes set forth in the notice of meeting. Special meetings may be held at any place, within or without Delaware.

Section 2.3. **Notice.** Written notice of each meeting of stockholders, stating the time, place and purpose thereof, shall be mailed by the Secretary or an Assistant Secretary not less than ten days nor more than sixty days before such meeting to every stockholder entitled to vote thereat.

Section 2.4. **List of Stockholders.** A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to the examination of any stockholder, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, for at least ten days before the meeting and at the place of the meeting during the whole time of the meeting.

Section 2.5. **Quorum.** The holders of at least fifty percent of the issued and outstanding stock of the Company entitled to vote with respect to any one of the purposes for which the meeting is called, present in person or represented by proxy, shall constitute a quorum, except as otherwise required by the General Corporation Law of Delaware. In the event of a lack of quorum, the chairman of the meeting or a majority in interest of the stockholders present in person or represented by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be obtained. At any such adjourned meeting at which there is a quorum, any business may be transacted that might have been transacted at the meeting originally called.

Section 2.6. **Organization.** The Chairman of the Board, or, in the absence of the Chairman of the Board, the President, or, in the absence of both, any Executive Vice President or Vice President, shall preside at meetings of stockholders as chairman of the meeting. The Secretary of the Company shall act as secretary, but in the absence of the Secretary, the chairman of the meeting may appoint a secretary. Rules governing the procedures and conduct of meetings of stockholders shall be determined by the chairman of the meeting.

Section 2.7. **Voting.** Subject to all of the rights of the Preferred Stock provided for by resolution or resolutions of the Board of Directors pursuant to Article IV of the Certificate of Incorporation or by the General Corporation Law of Delaware, each stockholder shall be entitled to one vote, in person or by proxy (either written or as otherwise permitted by the General Corporation Law of Delaware), for each voting share held of record by such stockholder. The votes for the election of Directors and, upon the demand of any stockholder the vote upon any matter before the meeting, shall be by written ballot. Except as otherwise required by the General Corporation Law of Delaware or as specifically provided for in the Certificate of Incorporation or these Bylaws, in any question or matter brought before any meeting of stockholders (other than the election of Directors), the affirmative vote of the holders of voting shares present in person or by proxy representing a majority of the votes actually cast on any such question or matter shall be the act of the stockholders. Directors shall be elected by a plurality of the votes of the voting shares present in person or represented by proxy at the meeting and entitled to vote and actually cast on the election of Directors.

Section 2.8. **Inspectors of Election.** In advance of any meeting of stockholders, the Board of Directors or the chairman of the meeting shall appoint one or more inspectors to act at the meeting and make a written report thereof. The chairman of the meeting may designate one or more persons as alternate inspectors to replace any inspector who fails or is unable to act. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector(s) shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspector(s), and certify the inspectors' determination of the number of shares represented at the meeting and the count of all votes and ballots. The inspector(s) may appoint or retain other persons or entities to assist the inspector(s) in the performance of the duties of the inspector(s).

Section 2.9. **Notification of Annual Meeting Business.** Any stockholder may bring business before an annual meeting only if:

(a) Such stockholder is a stockholder of record on the date of giving notice as provided for in this Section 2.9 and on the record date for the determination of stockholders entitled to vote at such annual meeting;

(b) Such business is properly before the meeting pursuant to the laws of the State of Delaware; and

(c) Such stockholder complies with the notice procedures set forth in this Section 2.9. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely written notice thereof in proper form to the Secretary of the Company. To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 120 days prior to the anniversary date on which the Company first mailed its proxy materials for the prior year's annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after the anniversary of the prior year's annual meeting, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall the public disclosure of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. For purposes of Sections 2.9 and 3.10 of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or any document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934. To be in proper form, a stockholder's notice to the Secretary must comply with all the same requirements that apply to special meetings of stockholders as set forth in Section 2.2 of these Bylaws.

No business shall be conducted at an annual meeting of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 2.9. If the person presiding at an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, he or she shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section III
BOARD OF DIRECTORS

Section 3.1. **Number and Qualifications.** The business and affairs of the Company shall be managed by or under the direction of its Board of Directors. The number of Directors constituting the entire Board of Directors shall be not less than six nor more than twenty-one, as authorized from time to time exclusively by a vote of a majority of the entire Board of Directors. As used in these Bylaws, the term "entire Board of Directors" means the total authorized number of Directors that the Company would have if there were no vacancies. Each Director shall at all times be a holder of Common Stock of the Company.

Section 3.2. **Resignation.** A Director may resign at any time by giving written notice to the Chairman of the Board, to the President or the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 3.3. **Regular Meetings.** Regular meetings of the Board of Directors may be held without further notice at such time and place as shall from time to time be determined by the Board of Directors. A meeting of the Board of Directors for the election of officers and the transaction of such other business as may come before it may be held without notice immediately following the annual meeting of stockholders.

Section 3.4. **Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or at the request in writing of one-third of the Directors then in office.

Section 3.5. **Notice of Special Meetings.** Notice of the time and place of each special meeting shall be mailed to each Director at least two days before the meeting or telegraphed or telecopied to such Director at least one day before the meeting. The notice need not state the purposes of the special meeting.

Section 3.6. **Place of Meetings.** The Directors may hold their meetings and have an office or offices outside of Delaware.

Section 3.7 **Quorum.** A majority of the total number of Directors then holding office shall constitute a quorum. In the event of lack of a quorum, a majority of the Directors present may adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be obtained.

Section 3.8. **Organization.** The Chairman of the Board, or, in the absence of the Chairman of the Board, the President, or, in the absence of both, a member of the Board selected by the members present, shall preside at meetings of the Board. The Secretary or an Assistant Secretary of the Company shall act as secretary, but in the absence of the Secretary or an Assistant Secretary, the presiding officer may appoint a secretary.

Section 3.9. **Compensation of Directors.** Directors shall receive such compensation for their services as the Compensation Committee may determine pursuant to Section 4.4(a) of these Bylaws, or as the Board of Directors may determine. Any Director may serve the Company in any other capacity and receive compensation therefor.

Section 3.10. **Notification of Nominations**. Nominations for the election of Directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of Directors. Any stockholder entitled to vote for the election of Directors at a meeting may nominate persons for election as Directors only if such stockholder complies with all the same requirements that apply to business to be brought before an annual meeting of stockholders as set forth in Section 2.9, and with respect to an election to be held at an annual meeting of stockholders within the time limits specified in such Section, but with respect to an election to be held at a special meeting of stockholders for election of Directors, by the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. In addition to the information required by Section 2.9, the required notice shall include:

(a) A description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder;

(b) Such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and

(c) The consent of each nominee to serve as a Director of the Company if elected.

The person presiding at any meeting of stockholders may refuse to acknowledge the nomination of any person not made in full compliance with the foregoing procedure.

Section IV
COMMITTEES OF THE BOARD

Section 4.1. **Creation and Organization.** The standing committees of the Board of Directors shall be an Executive Committee; an Audit Committee; a Compensation Committee; a Committee on Directors; an Environment, Health, Safety and Public Policy Committee; and a Finance Committee, having the respective duties assigned to each in this Section IV and any other duties assigned to such committee by resolution passed by a majority of the entire Board of Directors from time to time. Each such standing committee shall consist of one or more Directors and such other *ex officio* members as the Board of Directors shall from time to time determine. The chairman of each standing committee shall be one of such committee's members who shall be designated as that committee's chairman by a majority of the entire Board of Directors. Members of each standing committee shall be elected by a majority of the entire Board of Directors. Vacancies in any standing committee shall be filled by a majority vote of the entire Board of Directors. The Board of Directors may appoint management employees of the Company or its subsidiaries to be *ex officio* members of any standing committee except the Executive Committee. *Ex officio* members of standing committees shall be entitled to be present at all meetings of their respective committees and to participate in committee discussions, but shall not be entitled to vote or be counted for quorum purposes. Each standing committee shall fix its own rules of procedure and shall meet where and as provided by such rules, but the presence of a majority of its members shall be necessary to constitute a quorum. The Board of Directors may from time to time appoint such special committees with such powers and such members as it may designate in a resolution or resolutions adopted by a majority of the entire Board of Directors.

Section 4.2. **Executive Committee.** During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the business and affairs of the Company to the fullest extent allowed by the General Corporation Law of Delaware, including the power and authority:

(a) To authorize the issuance of stock;

(b) To the extent authorized in a resolution or resolutions providing for the issuance of shares of Preferred Stock adopted by the Board of Directors, to fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or any other series of any class of stock of the Company, to fix the number of shares of any series of Preferred Stock or to authorize the increase or decrease of the shares of any series of Preferred Stock;

(c) To declare dividends on stock; and

(d) To adopt a certificate of ownership and merger in accordance with the General Corporation Law of Delaware.

The Executive Committee shall consist of the officer who serves as the chief executive officer pursuant to Section 5.17 and not fewer than three other Directors. The Executive Committee shall keep minutes of its meetings.

Section 4.3. **Audit Committee.** The Audit Committee shall:

(a) Prior to each annual meeting of stockholders, submit a recommendation in writing to the Board of Directors for the selection of independent auditors to be appointed by the Board of Directors in advance of the annual meeting of stockholders and to be submitted for ratification or rejection at such meeting;

(b) Annually consult with the independent auditors with regard to the proposed plan of audit and from time to time consult privately with them and also with the Corporate Auditor and the Controller with regard to the adequacy of internal controls; and

(c) Upon completion of the report of audit by the independent auditors and before the date of the annual meeting of stockholders, (i) review the financial statements of the Company, and (ii) meet with the independent auditors and review with them the results of their audit and any recommendations made to the management.

Section 4.4. **Compensation Committee.** The Compensation Committee shall consist of two or more members, all of whom shall be "non-employee Directors" as defined in Rule 16b-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, or any future rule of the Securities and Exchange Commission with respect to the same subject matter, and who also comply with the rules for eligibility to serve as members of the award and option committees hereinafter described. The Compensation Committee may, with the consent of the Board of Directors, delegate any portion of its authority to a subcommittee consisting of two or more of its members.

(a) The Compensation Committee may establish rates of salary, bonuses, retirement and other compensation for all Directors and executive officers of the Company for purposes of the Securities Exchange Act of 1934, as amended, or the regulations of the Securities and Exchange Commission, and for such other personnel as the Board of Directors may from time to time delegate to it; provided, however, that no member of the Compensation Committee may vote upon his or her own rate of salary or his or her own bonus, retirement or other compensation except for such items as are applicable to a group that also includes personnel who are not Directors or officers, or where his or her participation in such items is determined by formula; and

(b) The Compensation Committee shall exercise all functions of the award and option committees under the Company's incentive and option plans.

Section 4.5. **Committee on Directors.** The Committee on Directors shall:

(a) Recommend to the Board the individuals to constitute the nominees of the Board of Directors for election at the next annual meeting of stockholders and who will be named as such nominees in the proxy statement used for solicitation of proxies by the Board;

(b) Recommend and nominate an individual for Director to fill the unexpired term of any vacancy existing in the Board of Directors or created by an increase in the size of the Board;

(c) Conduct continuing studies of the size and composition of the Board of Directors and from time to time make recommendations to the Board for enlargement or reduction in size of the Board; and

(d) Recommend and nominate individuals for election as officers and members of Board committees.

Section 4.6. **Environment, Health and Safety Committee**. The Environment, Health and Safety Committee shall have the authority and responsibility to assess all aspects of the Company's environment, health and safety policies and performance and to make recommendations to the Board of Directors and the management of the Company with regard to promoting and maintaining superior standards of performance. (As amended February 8, 2001, effective March 1, 2001.)

Section 4.7. **Finance Committee.** The Finance Committee shall have the responsibility of periodically reviewing the financial affairs of the Company and making recommendations to the Board of Directors concerning the financial needs of the Company and the methods of providing funds for such needs. The Finance Committee shall have the authority and responsibility for each of the following, all or any of which may be delegated to a committee of management employees of the Company that is appointed by and reports at least three times a year to the Finance Committee:

(a) Establish investment policy for the Dow Employees' Pension Plan and any other pension plan or pension fund maintained by the Company for its employees or employees of its subsidiaries ("Plans");

(b) Employ, replace, discharge and supervise, and review the performance of trustees and investment advisers acting pursuant to the Plans;

(c) Enter into, modify, alter, amend and/or revoke any existing and future trust agreement or trust relating to the Plans;

(d) Review and advise upon the investment policy of, and performance of trustees and investment advisers acting pursuant to or on behalf of, any pension plan or pension fund maintained by any directly or indirectly wholly owned subsidiary or subsidiaries of the Company for the benefit of its or their employees or the employees of its or their subsidiaries; and

(e) Perform similar duties with respect to such other pension plans and pension funds, and on behalf of such other entities affiliated with the Company, as the Board of Directors from time to time shall designate.

Section 4.8. **Public Interest Committee**. The Public Interest Committee shall have the authority and the responsibility to assess any and all aspects of the Company's decisions to determine their impact on society. The Committee's focus includes corporate policy management, philanthropic contributions, codes of conduct, and reputation management. The most socially desirable alternatives for accomplishing the commercial objectives of the Company and a program for contributions shall be recommended to the Board of Directors and the management of the Company. Recognizing that positive perceptions of the Company's policies and actions among its several constituencies are extremely valuable assets, the Committee will keep itself informed of these perceptions and will recommend to the Board and management actions directed at continually enhancing the Company's public image. (As amended February 8, 2001, effective March 1, 2001.)

Section 4.9. **Powers Reserved to the Board.** No committee of the Board of Directors shall have the power or authority to:

(a) Approve or adopt, or recommend to stockholders, any action or matter expressly required by the General Corporation Law of Delaware to be submitted to stockholders for approval; or

(b) Adopt, amend, or repeal these Bylaws.

No committee of the Board of Directors shall take any action that is required by these Bylaws, the Certificate of Incorporation or the General Corporation Law of Delaware to be taken by a vote of a specified proportion of the entire Board of Directors. (As amended February 8, 2001, effective March 1, 2001.)

Section V
OFFICERS

Section 5.1. **Designation.** The officers of the Company shall be a Chairman of the Board, a President, one or more Executive Vice Presidents, one or more Vice Presidents, a Treasurer, a Secretary, a Controller, and a General Counsel. The Board of Directors also may elect or appoint, or provide for the appointment of, such other officers, assistant officers (including one or more Assistant Treasurers, one or more Assistant Secretaries and one or more Assistant Controllers) and agents as may from time to time appear necessary or advisable in the conduct of the business and affairs of the Company.

Section 5.2. **Election and Term.** At its first meeting after each annual meeting of stockholders, the Board of Directors shall elect the officers. The term of each officer shall be until the first meeting of the Board of Directors following the next annual meeting of stockholders and until such officer's successor is chosen and qualified.

Section 5.3. **Resignation.** Any officer may resign at any time by giving written notice to the President or the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 5.4. **Removal.** Except where otherwise expressly provided in a contract authorized by the Board of Directors, any officer elected or appointed by the Board of Directors may be removed at any time with or without cause by the affirmative vote of a majority of the entire Board of Directors.

Section 5.5. **Vacancies.** A vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

Section 5.6. **Chairman of the Board.** The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

Section 5.7. **President.** The President shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

Section 5.8. **Executive Vice Presidents.** The Executive Vice Presidents shall assist the President in the management of the business and affairs of the Company and shall perform such other duties as may be assigned by the President or the Board of Directors.

Section 5.9. **Vice Presidents.** Each Vice President shall have such powers and perform such duties as may be assigned by the President or the Board of Directors. The Board of Directors may designate a Financial Vice President and one or more Vice Presidents as Senior Vice Presidents or Group Vice Presidents.

Section 5.10. **Treasurer.** The Treasurer shall have charge of all funds of the Company and shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors.

Section 5.11. **Assistant Treasurers.** Each Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Treasurer or the Board of Directors.

Section 5.12. **Secretary.** The Secretary or an Assistant Secretary shall keep the minutes and give notices of all meetings of stockholders and Directors and of such committees as directed by the Board of Directors. The Secretary shall have charge of such books and papers as the Board of Directors may require. The Secretary or any Assistant Secretary is authorized to certify copies of extracts from minutes and of documents in the Secretary's charge, and anyone may rely on such certified copies to the same effect as if such copies were originals and may rely upon any statement of fact concerning the Company certified by the Secretary or any Assistant Secretary. The Secretary shall perform all acts incident to the office of Secretary, subject to the control of the Board of Directors.

Section 5.13. **Assistant Secretaries.** Each Assistant Secretary shall have such powers and perform such duties as may be assigned by the Secretary or the Board of Directors.

Section 5.14. **Controller.** The Controller shall be in charge of the accounts of the Company. The Controller shall have such other powers and perform such other duties as may be assigned by the Board of Directors and shall submit such reports and records to the Board of Directors as it may request.

Section 5.15. **Assistant Controllers.** Each Assistant Controller shall have such powers and perform such duties as may be assigned by the Controller or the Board of Directors.

Section 5.16. **General Counsel.** The General Counsel shall be in charge of all matters concerning the Company involving litigation or legal counseling. The General Counsel shall have such other powers and perform such other duties as may be assigned by the Board of Directors and shall submit such reports to the Board of Directors as it may request.

Section 5.17. **Designation of an Officer as the Chief Executive Officer.** The Board of Directors shall designate one of the elected officers as the chief executive officer of the Company. The chief executive officer shall be in general and active charge of the business and affairs of the Company.

Section 5.18. **Designation of an Officer as the Chief Operating Officer.** The Board of Directors may designate one of the elected officers the chief operating officer of the Company with such powers and duties as may be assigned by the Board of Directors.

Section 5.19. **Compensation of Officers.** The officers of the Company shall receive such compensation for their services as the Compensation Committee may determine pursuant to Section 4.4(a) of these Bylaws.

Section VI
INDEMNIFICATION

Section 6.1. **Mandatory Indemnification of Directors, Officers and Employees.** The Company shall indemnify, to the full extent permitted by the laws of the State of Delaware, any person who was or is a defendant or is threatened to be made a defendant to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person:

(a) Is or was a Director, officer or employee of the Company; or

(b) Is or was a Director, officer or employee of the Company and is or was serving at the request of the Company as a director, trustee, member, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

Any repeal, amendment or modification of this Section 6.1 shall not affect any rights or obligations then existing between the Company and any then incumbent or former Director, officer or employee with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon such state of facts.

Section 6.2. **Permitted Indemnification of Directors, Officers, Employees and Agents.** The Company may indemnify, to the full extent permitted by the laws of the State of Delaware, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person:

(a) Is or was a Director, officer, employee or agent of the Company; or

(b) Is or was a Director, officer, employee or agent of the Company and is or was serving at the request of the Company as a director, trustee, member, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

Section 6.3. **Judicial Determination of Indemnification.** Any incumbent or former Director, officer or employee may apply to any court of competent jurisdiction in the State of Delaware to order indemnification to the extent mandated under Section 6.1 above. The basis of such order of indemnification by a court shall be a determination by such court that indemnification of the incumbent or former Director, officer or employee is proper in the circumstances. Notice of any application for indemnification pursuant to this Section 6.3 shall be given to the Company promptly upon the filing of such application.

Section 6.4. **Expenses Payable in Advance.** Expenses incurred by any Director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it ultimately shall be determined that the Director or officer is not entitled to be indemnified by the Company as authorized in this Section VI. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 6.5. **Nonexclusivity.** The indemnification and advancement of expenses mandated or permitted by, or granted pursuant to, this Section VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, contract, vote of stockholders or disinterested Directors, or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise both as to action by the person in an official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the persons specified in Sections 6.1 or 6.2 above as defendants shall be made to the fullest extent permitted by the laws of the State of Delaware. The provisions of this Section VI shall not be deemed to preclude the indemnification of any person who is not specified in Sections 6.1 or 6.2 above, but whom the Company has the power or obligation to indemnify under the laws of the State of Delaware or otherwise.

Section 6.6. **Insurance.** The Company may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, trustee, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any liability asserted against and incurred by such person in any such capacity, or arising out of the person's status as such, whether or not the Company would have the power or the obligation to indemnify the Director, officer, employee or agent of the Company against such liability under the provisions of this Section VI.

Section 6.7. **Definitions.** For the purposes of this Section VI references to "the Company" shall include, in addition to the resulting company, any constituent company (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, trustees, members, employees and/or agents, so that any person who is or was a director, officer, trustee, member, employee or agent of such constituent company, or is or was serving at the request of such constituent company as a director, officer, trustee, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section VI with respect to the resulting or surviving company as such person would have with respect to such constituent company if its separate existence had continued. The term "other enterprise" as used in this Section VI shall include employee benefit plans. References to "fines" in this Section VI shall include excise taxes assessed on a person with respect to an employee benefit plan. The phrase "serving at the request of the Company" shall include any service as a Director, officer, employee or agent of the Company that imposes duties on, or involves services by, such Director, officer, employee or agent with respect to any employee benefit plan, its participants or beneficiaries.

Section 6.8. **Survival.** The indemnification and advancement of expenses provided by, or granted pursuant to, this Section VI shall continue as to a person who has ceased to be a Director, officer, employee or agent of the Company and shall inure to the benefit of the heirs, executors and administrators of such person.

Section VII
MISCELLANEOUS

Section 7.1. **Seal.** The corporate seal shall have inscribed upon it the name of the Company, the year "1947" and the words "Corporate Seal" and "Delaware." The Secretary shall be in charge of the seal and may authorize a duplicate seal to be kept and used by any other officer or person.

Section 7.2. **Waiver of Notice.** Whenever any notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 7.3. **Voting of Stock Owned by the Company.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the President, any Executive Vice President, any Vice President or the General Counsel. Any such officer may, in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The Board of Directors may from time to time confer like powers upon any other person or persons.

Section 7.4. **Executive Office.** The principal executive office of the Company shall be located in the City of Midland, County of Midland, State of Michigan, where the books of account and records shall be kept. The Company also may have offices at such other places, both within and without Delaware, as the Board of Directors from time to time shall determine or the business and affairs of the Company may require.

Section VIII
AMENDMENT OF BYLAWS

Section 8.1. The Board of Directors shall have power to amend, alter, change, adopt and repeal the Bylaws of the Company at any regular or special meeting. The stockholders also shall have power to amend, alter, change, adopt and repeal the Bylaws of the Company at any annual or special meeting subject to the requirements of the Certificate of Incorporation.

The Dow Chemical Company
Elective Deferral Plan

(Amended and Restated as of January 1, 2001, except as otherwise provided herein)

Article I
PURPOSE AND EFFECTIVE DATE

The purpose of The Dow Chemical Company Elective Deferral Plan ("Plan") is to aid The Dow Chemical Company and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees, within the meaning of Sections 201(2), 301(a)3 and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and therefore exempt from Parts 2, 3, and 4 of Title I of ERISA, of The Dow Chemical Company with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified Hypothetical Investment Benchmarks. The Plan shall be effective for deferral elections made hereunder on or after January 1, 2001. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

Effective December 15, 1994, The Dow Chemical Company originally adopted The Dow Chemical Company Elective Deferral Plan. Minor amendments were made to the Plan on December 11, 1997. On October 19, 2000 the Company amended and restated the Plan, to be effective as of January 1, 2001, to read as set forth in this Plan document.

Article II
DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01. **Administrator.** "Administrator" means the Retirement Board appointed under the Dow Employees' Pension Plan.

Section 2.02. **Base Salary.** "Base Salary" means the annual base rate of pay from the Company (excluding Performance Awards, commissions, relocation expenses, and other non-regular forms of compensation) before deductions under (A) deferrals pursuant to Section 4.02 and (B) contributions made on his or her behalf to any qualified plan maintained by the Company or to any cafeteria plan under Section 125 of the Internal Revenue Code maintained by the Company.

Section 2.03. **Base Salary Deferral.** "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his or her Deferral Account pursuant to Section 4.02.

Section 2.04. **Beneficiary.** "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.05. **Board.** "Board" means the Board of Directors of The Dow Chemical Company.

Section 2.06. **Change of Control.** For purposes of this Plan, a "Change of Control" shall be deemed to have occurred upon: (i) the dissolution or liquidation of The Dow Chemical Company; (ii) a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company is not a surviving corporation; (iii) approval by the stockholders of the Company of any sale, lease, exchange, or other transfer (in one or series of transactions) of all or substantially all of the assets of the Company; (iv) approval by the stockholders of the Company of any merger or consolidation of the Company in which the holders of the voting stock of the Company immediately before the merger or consolidation will not own fifty percent (50%) or more of the outstanding voting shares of the continuing or surviving corporation immediately after such merger or consolidation, or (v) a change of fifty-one percent (51%) (rounded to the next whole person) in the membership of the Board of Directors of the Company within a twenty-four (24) month period, unless the election or nomination for election by stockholders of each new director within such period was approved by the vote of eighty-five percent (85%) (rounded to the next whole person) of the directors still in office who were in office at the beginning of the twenty-four month period.

Section 2.07. **Common Stock.** "Common Stock" means the common stock of The Dow Chemical Company.

Section 2.08. **Company.** "Company" means The Dow Chemical Company, its successors, any subsidiary or affiliated organizations authorized by the Board or The Dow Chemical Company Retirement Board to participate in the Plan and any organization into which or with which The Dow Chemical Company may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.09. **Deferral Account.** "Deferral Account" means the notional account established for record keeping purposes for each Participant pursuant to Article VI.

Section 2.10. **Deferral Period.** "Deferral Period" is defined in Section 4.02.

Section 2.11. **Deferred Amount.** "Deferred Amount" is defined in Section 4.02.

Section 2.12. **Designee.** "Designee" shall mean the Company's North American Compensation Resource Center to whom the Retirement Board has delegated the authority to take action under the Plan.

Section 2.13. **Disability.** "Disability" means eligibility for disability benefits under the terms of the Company's Long-Term Disability Plan maintained by the Company. The Retirement Board, in its complete and sole discretion, shall determine a Participant's disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Retirement Board to confirm Disability. On the basis of such medical evidence, the determination of the Retirement Board as to whether or not a condition of Disability exists or continues shall be conclusive.

Section 2.14. **Eligible Compensation.** "Eligible Compensation" means any Base Salary, Performance Awards or Other Bonuses.

Section 2.15. **Eligible Employee.** "Eligible Employee" means a key employee of the Company or any of its allied businesses designated as participating in the Plan who: (i) is a United States employee or an expatriate who is based and paid in the U.S., (ii) is a member of the functional specialist/functional leader or global leadership job families, (iii) has a job level of L2 or higher, (iv) is eligible for participation in the Savings Plan, (v) is designated by the Administrator as eligible to participate in the Plan as of September 30 for deferral of Base Salary and Performance Awards, and (vi) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

Section 2.16. **ERISA.** "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Section 2.17. **Fair Market Value.** "Fair Market Value" of a share of Common Stock means the closing price of the Company's Common Stock on the New York Stock Exchange on the most recent day on which the Common Stock was so traded that precedes the date the Fair Market Value is to be determined. The definition of Fair Market Value in this Section shall be exclusively used to determine the values of a Participant's interest in The Dow Chemical Company Stock Index Fund (defined in Section 6.02(b)) for all relevant purposes under the Plan.

Section 2.18. **Form of Payment.** "Form of Payment" means payment in one lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years.

Section 2.19. **Hardship Withdrawal.** "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency.

Section 2.20. **Hypothetical Investment Benchmark.** "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks which are used to measure the return credited to a Participant's Deferral Account.

Section 2.21. **Matching Contribution**. "Matching Contribution" means the amount of annual matching contribution that the Company will make to the plan.

Section 2.22. **Other Bonus.** "Other Bonus" means the amount awarded to a Participant for a Plan Year under any other incentive plan maintained by the Company that has been established and authorized as eligible for deferral.

Section 2.23. **Other Deferral.** "Other Deferral" means the amount of a Participant's Other Bonus which the Participant elects to have withheld on a pre-tax basis credited to his or her account pursuant to Section 4.02.

Section 2.24. **Participant.** "Participant" means any individual who is eligible and makes an election to participate in this Plan by filing a Participation Agreement as provided in Article IV.

Section 2.25. **Participation Agreement.** "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

Section 2.26. **Performance Awards.** "Performance Awards" means the amount paid in cash to the Participant by the Company in the form of annual incentive bonuses for a Plan Year.

Section 2.27. **Performance Deferral.** "Performance Deferral" means the amount of a Participant's Performance Award which the Participant elects to have withheld on a pre-tax basis from his or her Performance Award and credited to his or her account pursuant to Section 4.02.

Section 2.28. **Phantom Share Units**. "Phantom Share Units" means units of deemed investment in shares of The Dow Chemical Company Common Stock so determined under Section 6.02(b).

Section 2.29. **Plan Year.** "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

Section 2.30. **Retirement.** "Retirement" means normal or early retirement of a Participant from the Company after attaining age 65 or age 50 with at least ten years of service (in accordance with the method of determining years of service adopted by the Company) under the Dow Employees' Pension Plan.

Section 2.31. **Retirement Board.** "Retirement Board" means the general administrator of the Plan appointed under the Dow Employees' Pension Plan.

Section 2.32. **Savings Plan.** "Savings Plan" means The Dow Chemical Company Employees' Savings Plan as it currently exists and as it may subsequently be amended.

Section 2.33. **Termination of Employment.** "Termination of Employment" means the cessation of a Participant's services as an employee of the Company, whether voluntary or involuntary, for any reason other than Retirement, Disability or Death.

Section 2.34. **Unforeseeable Emergency.** "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Administrator.

Section 2.35. **Valuation Date.** "Valuation Date" means the last day of each calendar month or such other date as the Administrator in its sole discretion may determine.

Article III
ADMINISTRATION

Section 3.01. **Administrator Duties.** This Plan shall be administered by The Dow Chemical Company Retirement Board. The Retirement Board shall consist of not less than three members who may, but need not, be employed by the Company. Each person appointed to the Retirement Board shall signify acceptance of his or her position and may resign by delivery of a written notice to the Company. The Company may remove any member at its pleasure by delivery of a written notice to the member. In the event of any vacancy in membership, the Company shall (or, if at least three members are then serving, may in its discretion) appoint a successor to fill the vacancy in office; provided, however, that the Retirement Board may exercise its full authority and discretion notwithstanding the existence of any vacancy. Members shall serve without compensation for their services. The Retirement Board shall act by a majority of its members by vote at a meeting or by unanimous consent in writing. If all members of the Retirement Board are not available, a quorum, consisting of three (3) members of the Retirement Board, may act by a majority of the quorum. It may authorize one or more of its members to execute documents in its behalf. Any person, upon written notification of the authorization, shall accept and rely upon that authorization until notified in writing that the Retirement Board has revoked the authorization. The Retirement Board shall appoint a secretary (who may or may not be a Retirement Board member) to keep all minutes of its meetings and to receive and deliver all notices. The secretary shall record and, where appropriate, communicate to all persons affected all delegations made by the Retirement Board of its responsibilities, any rules and procedures adopted by the Retirement Board and all other formal actions taken by the Retirement Board. No member of the Retirement Board shall vote or act on any matter relating solely to him/herself. The Administrator may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting and waiver of notice of such meeting.

The Dow Chemical Company Retirement Board shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers that are specially vested in any other person administering this Plan by the Administrator. The Administrator may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Administrator shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Dow Chemical Company Retirement Board has delegated to the North American Compensation Resource Center responsibility for performing certain administrative and ministerial functions under this Plan. The Designee shall be responsible for determining in the first instance issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Dow Chemical Company Retirement Board shall have discretion to delegate such additional duties as it may determine. The Designee may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither The Dow Chemical Company nor a member of the Board nor member of the Retirement Board nor any Designee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan.

The Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person), each member of The Dow Chemical Company Retirement Board and Designees against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company, the Administrator or Designee.

Any expense incurred by the Company or the Administrator relative to the administration of this Plan shall be paid by the Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Administrator or Designee.

Section 3.02. **Claim Procedure.** If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Designee. If the Designee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Designee shall inform the claimant in writing of such determination and the reasons therefor in terms calculated to be understood by the claimant. The notice shall be sent within 60 days of the claim unless the Designee determines that additional time, not exceeding 60 additional days, is needed and so notifies the claimant. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary to perfect the claim. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 60 days thereafter submit in writing to the Administrator a notice that the claimant contests the denial of his or her claim and desires a further review by the Administrator. The Administrator shall within 60 days thereafter review the claim and authorize the claimant to review pertinent documents and submit issues and comments relating to the claim to the Administrator. The Administrator will render a final decision on behalf of the Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Administrator determines that additional time, not exceeding 60 days, is needed, and so notifies the claimant. If the Administrator fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the Company shall be deemed to have denied the claim. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to the claimant, it shall be binding and conclusive unless the claimant notifies the Retirement Board within 90 days after the mailing or delivery to him or her by the Retirement Board of its determination that he or she intends to institute legal proceedings challenging the determination of the Retirement Board, and actually institutes such legal proceeding within 180 days after such mailing or delivery.

Article IV
PARTICIPATION

Section 4.01. **Participation.** Participation in the Plan shall be limited to executives who (i) meet such eligibility criteria as the Administrator shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Administrator. A Participation Agreement must be filed on or prior to the November 30 immediately preceding the Plan Year for which it is effective. The Administrator shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for Participants. Notwithstanding the foregoing, the Retirement Board, in its sole discretion, may permit a newly eligible Participant to submit a Participation Agreement within 30 days of that employee becoming eligible, and deferrals shall commence as soon as practical thereafter. An individual shall not be eligible to elect to participate in this Plan unless the individual is a Participant for the Plan Year for which the election is made. In the event a Participant transfers to a subsidiary of the Company and that subsidiary does not participate in the Plan, the Participant's Deferred Amount shall cease, and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed as originally elected by the Participant in the Participation Agreement.

Section 4.02. **Contents of Participation Agreement.** Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the Base Salary and Performance Awards for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than 5% (in 5% increments) of Base Salary and/or 5% (in 5% increments) of Performance Award/Other Bonus; (ii) the maximum Deferred Amount for any Plan Year or performance period shall not exceed 50% of Base Salary and 85% of Performance Award/Other Bonus; (iii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be (A) a specific future year, not greater than the year the Participant reaches age 70 ½ or (B) the period ending upon the Retirement or prior termination of employment of the Participant; and (iv) the form in which payments are to be made, which may be a lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years. Participation Agreements are to be completed in a format specified by the Administrator.

Section 4.03. **Modification or Revocation of Election by Participant.** A Participant may not change the amount of his or her Deferred Amount during a Plan Year. A Participant's Participation Agreement may not be made, modified or revoked retroactively, nor may a deferral period be shortened or reduced except as expressly provided in this Plan. For deferrals to occur from Performance Awards, the Participant must be actively employed, an eligible retiree or a member of an entire class of employees identified by the Administrator as eligible under Section 7.10.

Article V
DEFERRED COMPENSATION

Section 5.01. **Elective Deferred Compensation.** The Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan.

Section 5.02. **Vesting of Deferral Account.** Except as provided in Section 7.03, a Participant shall be 100% vested in his or her Deferral Account as of each Valuation Date.

Article VI
MAINTENANCE AND INVESTMENT OF ACCOUNTS

Section 6.01. **Maintenance of Accounts.** Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrator shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 6.02 and Section 7.03 and distributions pursuant to Article VII with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02. **Hypothetical Investment Benchmarks.** (a) Each Participant shall be entitled to direct the manner in which his or her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Administrator from time to time, and in accordance with such rules, regulations and procedures as the Administrator may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his or her Deferral Accounts. Participants can reallocate among the Hypothetical Investment Benchmarks on a daily basis. This reallocation capability is extended to the monies associated with deferrals for services performed on or after January 1, 2001. Account balances from deferrals that occurred prior to January 1, 2001 will maintain the investment direction authorized under similar prior plans.

(b) (i) The Hypothetical Investment Benchmarks available for Deferral Accounts will include "The Dow Chemical Company Stock Index Fund." The Dow Chemical Company Stock Index Fund will consist of deemed investments in shares of The Dow Chemical Company Common Stock including reinvestment of dividends, stock splits and without brokerage fees. Deferred Amounts that are deemed to be invested in The Dow Chemical Company Stock Index Fund shall be converted into Phantom Share Units based upon the Fair Market Value of the Common Stock as of the date(s) the Deferred Amounts are to be credited to a Deferral Account. The portion of any Deferral Account that is invested in The Dow Chemical Company Stock Index Fund shall be credited, as of each dividend payment date, with additional Phantom Share Units of Common Stock with respect to cash dividends paid on the Common Stock with record dates during the period beginning on the day after the most recent preceding Valuation Date and ending on such Valuation Date.

(ii) When a reallocation or a distribution of all or a portion of a Deferral Account that is invested in The Dow Chemical Company Stock Index Fund is to be made, the balance in such a Deferral Account shall be determined by multiplying the Fair Market Value of one share of Common Stock on the most recent Valuation Date preceding the date of such reallocation or distribution by the number of Phantom Share Units to be reallocated or distributed. Upon a distribution, the amounts in The Dow Chemical Company Stock Index Fund shall be distributed in the form of cash having a value equal to the Fair Market Value of a comparable number of actual shares of Common Stock.

(iii) In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, or other change in the corporate structure of the Company affecting Common Stock, or a sale by the Company of all or part of its assets, or any distribution to stockholders other than a normal cash dividend, then the Administrator may make appropriate adjustments to the number of deemed shares credited to any Deferral Account. The determination of The Dow Chemical Company Retirement Board as to such adjustments, if any, to be made shall be conclusive.

(iv) Notwithstanding any other provision of this Plan, the Administrator shall adopt such procedures as it may determine are necessary to ensure that with respect to any Participant who is actually or potentially subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to his or her Deferral Account is deemed to be an exempt purchase for purposes of such Section 16(b), including without limitation requiring that no shares of Common Stock or cash relating to such deemed shares may be distributed for six months after being credited to such Deferral Account.

Section 6.03. **Statement of Accounts.** Each Participant shall be issued quarterly statements of his or her Deferral Account(s) in such form as the Administrator deems desirable, setting forth the balance to the credit of such Participant in his or her Deferral Account(s) as of the end of the most recently completed quarter.

Section 6.04. **Participant Fees.** A Participant in the Plan agrees to an administrative fee of sixty dollars ($60) per year that will be deducted from the Participant's Deferral Account on December 1 of each year in which the Participant has a Deferral Account balance.

Article VII
BENEFITS

Section 7.01. **Time and Form of Payment.** At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement. If the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash on the January 31st after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make cash only payments from such Deferral Account, each of which annual amount shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent annual Valuation Date preceding the first annual payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installment years (including the installment being paid). The first such installment shall be paid on the January 31st after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment or in quarterly or monthly intervals, if selected. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

For Participants who elect to commence distribution of benefits upon Retirement, the lump sum cash payment or the first installment shall be paid on the January 31st after Retirement.

Notwithstanding any of the foregoing, Deferred Account distributions must begin no later than the January 31st after the calendar year in which the Participant reaches age 70 ½.

Section 7.02. **Changing Form of Benefit**. Participants may elect an alternative form of payout as available under Section 7.01 by written election filed with the Administrator; provided, however, that the Participant files the election in the prior tax year and at least six (6) months prior to the date the benefit payments are to commence.

If the Participant files the election in the year that the benefit payments are to commence or in the prior year but less than six (6) months prior to the date of benefit commencement, the Participant will have his or her Deferral Account reduced by ten percent (10%) at the Valuation Date immediately prior to commencement of payments, and, for future deferrals only, all Participation Agreements previously filed by such Participant shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 7.03. **Matching Contribution.** Each Participant who elects to make deferrals of Eligible Compensation to the Plan will be credited with a Matching Contribution utilizing the same formula authorized under the Savings Plan for employer matching contributions. For purposes of calculating the match under this Plan, the Company will assume each Participant is contributing the maximum allowable amount to the Savings Plan and receiving a match thereon. This assumed match from the Savings Plan will be offset from the Matching Contribution calculated under provisions of the Elective Deferral Plan. Notwithstanding the foregoing, the sum of the Matching Contribution under the Plan plus the assumed employer matching contributions under the Savings Plan may not exceed fifteen thousand dollars ($15,000) in each Plan Year. The amount of the Matching Contribution may be based on a formula that takes into account a Participant's overall compensation and may be subject to maximum or minimum limitations. The Matching Contribution shall be credited to the Deferral Account as of the first day of the following Plan Year that the financial markets are open. The Matching Contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the Base Salary deferrals of the Participant. The Matching Contribution shall be distributed to the Participant according to the election made by the Participant governing his or her Base Salary deferrals and will vest one hundred percent (100%) on the date credited to the Participant's account.

Section 7.04. **Retirement.** Subject to Section 7.01 and Section 7.11 hereof, if a Participant has elected to have the balance of his or her Deferral Account distributed upon Retirement or after a Specific Future Year, the account balance of the Participant (determined as of the most recent Valuation Date preceding the end of the Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any of the foregoing, Deferred Account distributions must begin no later than the January 31st after the calendar year in which the Participant reaches age 70 ½.

Section 7.05. **Distributions after Specific Future Year.** Subject to Section 7.01 and Section 7.11 hereof, if a Participant has elected to defer Eligible Compensation under the Plan until a stated future year, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any of the foregoing, Deferred Account distributions must begin no later than the January 31st after the calendar year in which the Participant reaches age 70 ½.

Section 7.06. **Pre-Retirement Survivor Benefit.** If a Participant dies prior to Retirement and prior to receiving full payment of his or her Deferral Account(s), the Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) according to the form elected by the Participant as a part of the Participation Agreement. In the event that installment payments are elected, the Company shall continue to credit interest on the unpaid balance of the Deferral Account subject to Section 6.02(a) hereof, based on the Participant's investment elections. Participant's Beneficiary may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the death of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's death.

Section 7.07. **Post-Retirement Survivor Benefit.** If a Participant dies after Retirement and prior to receiving full payment of his or her Deferral Account(s), the Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) according to the form elected by the Participant as a part of the Participation Agreement. In the event that installment payments are elected, the Company shall continue to credit interest on the unpaid balance of the Deferral Account subject to Section 6.02(a) hereof, based on the Participant's investment elections. Participant's Beneficiary may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the death of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's death.

Section 7.08. **Disability.** If a Participant suffers a Disability, the Participant's Deferred Amount shall cease, and the Company shall pay the benefit described in section 7.01. Participant may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the determination of Disability of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's Disability.

Section 7.09. **Termination of Employment.** In the event of Termination of Employment which takes place prior to eligibility for Retirement, the Company shall pay the benefits described in section 7.01 in a single lump sum payment as soon as practicable after the Termination of Employment.

Section 7.10. **Merger, Joint Venture or Sale of Business Exception.** Notwithstanding any of the foregoing, if the Termination of Employment occurs as a direct result of a merger, joint venture or sale of a subsidiary, division, business or other unit of the Company, or as a result of transfer of the Participant to a Non-Participating Subsidiary or Joint Venture, as determined by the Administrator, the Administrator may, in its sole discretion,

(i) elect to waive the lump sum distribution of benefits for an entire class of affected employees transferring to the joint venture. In cases where this election is made by the Administrator, the Participant's Base Salary Deferrals shall cease and the Participant's Deferral Account shall remain deferred, in accordance with the distribution elected in the Participation Agreement, until the Participant's termination of employment from the joint venture, provided however, the Participant is employed by the joint venture until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the entity, the Company shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date. If the Company terminates its ownership interest in the joint venture, the Participant's Deferral Account shall remain deferred, in accordance with the distribution elected in the Participation Agreement, until the Participant's termination of employment from the remaining joint venture partners, provided however, the Participant is employed by the remaining joint venture partners until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the remaining joint venture partners, the Company shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date.

(ii) elect to waive the lump sum distribution of benefits for an entire class of affected employees of a sale. In cases where this election is made by the Administrator, the Participant's Base Salary Deferrals shall cease and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed to Participants in accordance with the distribution elected in the Participation Agreement, provided however, the Participant is employed by the purchaser until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the purchaser, the Company shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date.

(iii) elect to permit the Performance Deferral for an entire class of affected employees transferring to the joint venture. In cases where this election is made by the Administrator, the award will be credited to the Participant's Deferral Account and the Participant's Deferral Account shall remain in effect until such time as benefits are distributed to Participants as provided under Section 7.10 (i).

(iv) elect to permit the Performance Deferral for an entire class of affected employees of a sale. In cases where this election is made by the Administrator, the award will be credited to the Participant's Deferral Account and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed to Participants as provided under Section 7.10 (ii).

Participants who retire or terminate after merger, joint venture or sale of a subsidiary, division, business or other unit of the Company, or as a result of transfer of the Participant to a Non-Participating Subsidiary or Joint Venture assume the personal responsibility to notify The Dow Chemical Company of their status change. Failure to promptly notify the Company may result in the loss of earnings beyond the status change date.

Section 7.11. **Small Benefit Election.** Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Participant or Beneficiary(ies) is less than or equal to ten thousand dollars ($10,000), the Administrator may, in its sole discretion, elect to pay such benefits in a single lump sum. The Administrator may also, in its sole discretion, elect to change monthly payments so they are at least three hundred dollars ($300) by reducing the number of monthly installments.

Section 7.12. **Hardship Withdrawals.** Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant's on-going Deferred Amount shall cease and a Participant shall be entitled to early payment of all or part of the balance in his or her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.12. A distribution pursuant to this Section 7.12 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.12 shall be made to the Administrator in such form and in accordance with such procedures as the Administrator shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.12 shall be made by the Administrator.

Section 7.13. **Voluntary Early Withdrawal.** Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all or a portion of the balance in his or her Deferral Account(s) in accordance with this Section 7.13 by filing with the Administrator such forms, in accordance with such procedures, as the Administrator shall determine from time to time. As soon as practicable after receipt of such form by the Administrator, the Company shall pay an amount equal to ninety (90) percent of the amount elected for withdrawal (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a lump sum in cash, and the Participant shall forfeit the remaining ten (10) percent of the amount elected for withdrawal. For future deferrals only, all Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.13 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 7.14. **Change of Control.** An eligible employee may, when completing a Participation Agreement during the enrollment period, elect that, if a Change of Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Deferral Account within thirty (30) days after the Change of Control. This election may be changed only during a 30-day period ending on November 30 of each calendar year and shall apply to the entire Deferral Account both before and after Retirement. The Deferral Account balance shall be determined as of the most recent Valuation Date preceding the month in which Change of Control occurs. All Participation Agreements previously filed by a Participant who receives a distribution under this Section 7.14 shall be null and void (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such distribution is made.

Section 7.15. **Discretionary Company Contributions.** The Company may at any time contribute a discretionary Company contribution. The amount of the discretionary contribution may vary from payroll period to payroll period throughout the Plan Year, may be based on a formula which takes into account a Participant's overall compensation, and otherwise may be subject to maximum or minimum limitations. The discretionary contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the deferrals of the Participant. The discretionary contribution shall be distributed to the Participant according to the election made by the Participant governing his or her deferrals. The vesting schedule shall be at the sole discretion of the Plan Administrator.

Section 7.16. **Withholding of Taxes.** Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

Article VIII
BENEFICIARY DESIGNATION

Section 8.01. **Beneficiary Designation.** Each Participant shall have the right, at any time, to designate any person, persons or entity as his or her Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrator, on such form and in accordance with such procedures as the Administrator shall establish from time to time.

Section 8.02. **No Beneficiary Designation.** If a Participant or Beneficiary fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or his or her Beneficiary, then the Participant's Beneficiary shall be deemed to be, in the following order:

(a) to the spouse of such person, if any;
(b) to the children of such person, if any;
(c) to the beneficiary of the Company Paid Life Insurance of such person, if any;
(d) to the beneficiary of the Executive Split Dollar Life Insurance of such person, if any;
(e) to the beneficiary of any Company-sponsored life insurance policy for which the Company pays all or part of the premium of such person, if any; or
(f) to the deceased person's estate.

Article IX
AMENDMENT AND TERMINATION OF PLAN

Section 9.01. **Amendment.** The Board may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

Section 9.02. **Company's Right to Terminate.** The Board may at any time terminate the Plan with respect to future Participation Agreements. The Board may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan as monthly installments over a three (3) year period commencing within ninety (90) days (determined as of the most recent Valuation Date preceding the termination date).

Article X
MISCELLANEOUS

Section 10.01. **Unfunded Plan.** This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA and therefore meant to be exempt from Parts 2, 3 and 4 of Title I of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Section 10.02. **Nonassignability.** Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03. **Validity and Severability.** The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.04. **Governing Law.** The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Delaware, without reference to principles of conflict of law, except to the extent preempted by federal law.

Section 10.05. **Employment Status.** This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an employee of the Company or change the status of the Participant's employment or the policies of the Company and its affiliates regarding termination of employment.

Section 10.06. **Underlying Incentive Plans and Programs.** Nothing in this Plan shall prevent the Company from modifying, amending or terminating the compensation or the incentive plans and programs pursuant to which Performance Awards are earned and which are deferred under this Plan.

Section 10.07. **Severance.** Payments from the Executive Severance Supplement equal to six months' Base Salary will be credited to the Participant's Deferral Account subject to the same earnings methods and distribution elections most recently elected by the Participant governing his or her Base Salary deferrals. The Executive Severance Supplement for individuals who do not have an established Deferral Account will be deemed to be invested using the U.S. Treasury Note Hypothetical Investment Benchmark and a ten year payout distribution election.

Section 10.08. **Successors of the Company.** The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

Section 10.09. **Waiver of Breach.** The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

Section 10.10. **Notice.** Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

Subsidiaries of The Dow Chemical Company

EXHIBIT 21

At December 31, 2000

	*Location**	*% Ownership*
The Dow Chemical Company	Delaware	
Arabian Chemical Company Limited (1)	Saudi Arabia	50
Arabian Chemical Company (Latex) Ltd. (1)	Saudi Arabia	50
Arakawa Europe GmbH	Germany	60
CanStates Holdings, Inc.	Oklahoma	100
ANGUS Chemical Company	Delaware	100
ANGUS Chemical (Singapore) PTE, Ltd.	Singapore	100
ANGUS Chemie GmbH	Germany	100
CD Polymers Inc.	Delaware	100
Cargill-Dow LLC (1)	Delaware	50
Centen Ag Inc.	Delaware	100
Dow AgroSciences LLC (11)	Delaware	43
Mycogen Corporation (19)	California	13
Chemars Inc.	Delaware	100
DC Partnership Management Inc.	Delaware	100
DowBrands L.P. (6)	Delaware	42
DCOMCO, Inc.	Delaware	100
DCU/LB Trust (1)	California	50
Denmerco Inc.	Delaware	100
Dexco Polymers (1)	Texas	50
Diamond Capital Management Inc.	Delaware	100
Diamond Technology Partnership Company (7)	Delaware	88
Chemtech Portfolio Inc. (13)	Texas	67
Dofinco, Inc.	Delaware	100
Dow Centroamerica, Sociedad Anonima	Costa Rica	100
Dow Centroamerica S.A.	Guatemala	100
Dow Chemical (Australia) Limited	Australia	100
Dow Australia Superannuation Fund A Pty Limited	Australia	100
Dow Australia Superannuation Fund B Pty Limited	Australia	100
Polystyrene Australia Pty Ltd (1)	Australia	50
Dow Chemical Canada Inc.	Canada	100
1069284 Ontario Inc.	Canada	100
Dow Pipeline Ltd.	Canada	100
DowBrands Canada Inc.	Canada	100
DBCI Financial LLC	Delaware	100
Emerald Financial SrL	Barbados	100
3813991 Canada Inc.	Canada	100
Modeland International Holdings Inc.	Barbados	100
Dow Quimica S.A.	Brazil	100
Branco Dow Compostos de Engenharia S.A. (1)	Brazil	50
Dow Especialidades Quimicas Ltda.	Brazil	100
Dow Quimica do Nordeste LTDA.	Brazil	100
EDN-Estireno do Nordeste S.A.	Brazil	91
EDN-Distribuidora do Nordeste Ltda.	Brazil	100
EDN-Poliestireno do sul Limitada	Brazil	100
Isopol Produtos Quimicos S.A.	Brazil	100
Keytil Sociedad Anonima	Uruguay	100
Primera-Industria e Comercio Ltda.	Brazil	100
Fort Saskatchewan Ethylene Storage Limited Partnership (1)	Canada	50
H-D Tech Inc. (1)	Canada	50
Dow Chemical (China) Investment Company Limited	China	100
Dow Chemical (Zhangjiagang) Co., Ltd (16)	China	10
Dow S/B Latex (Zhangjiagang) Co. Ltd. (15)	China	10
SAL Petrochemical (Zhangjiagang) Company Limited (1) (18)	China	10
Dow Chemical (China) Ltd.	Delaware	100
Dow Chemical Company Limited	United Kingdom	100
Cromarty Petroleum Company Limited (1)	United Kingdom	50
Dow Chemical Delaware Corp.	Delaware	100
Chemtech II L.P. (8)	Delaware	73

EXHIBIT 21

Subsidiaries of The Dow Chemical Company

At December 31, 2000

	*Location**	*% Ownership*
Chemtech Portfolio Inc. (13)	Texas	33
Chemtech Portfolio II Inc.	Michigan	100
Dow Chemical (Hong Kong) Limited	Hong Kong	100
Dow Chemical International Ltd.	Delaware	100
Dow Chemical Thailand Limited	Thailand	100
Petroquimica-Dow S.A. (Petrodow)	Chile	70
Dow Chemical Japan Limited (10)	Japan	89
Dow Polyurethanes Japan Ltd.	Japan	100
Dow Chemical Korea Limited	Korea	100
Dow Chemical (NZ) Limited	New Zealand	100
Dow Chemical Pacific Limited	Hong Kong	100
Ulsan Pacific Chemical Corporation (14)	Korea	80
Dow Chemical Pacific (Singapore) Private Limited	Singapore	100
Dow Chemical (Guangzhou) Company Limited	China	100
Dow Chemical (India) Holdings Private Limited	India	100
Dow Chemical International Pvt. Ltd.	India	100
Dow Financial Holdings Singapore Pte Ltd.	Singapore	100
Dow Chemical (Zhangjiagang) Co., Ltd. (16)	China	90
Dow S/B Latex (Zhangjiagang) Co. Ltd. (15)	China	90
SAL Petrochemical (Zhangjiagang) Company Limited (1) (18)	China	40
G.Z. Holdings Pte. Ltd.	Singapore	100
P.T. Dow Polymers Indonesia (22)	Indonesia	30
P.T. Pacific Indomas Plastic Indonesia (23)	Indonesia	1
S.H.A. Holdings Pte. Ltd.	Singapore	100
Dow Chemical (Singapore) Private Limited	Singapore	100
Dow Chemical Taiwan Limited	Republic of China	100
Dow Chemical Telecommunications Corp.	Delaware	100
Dow Credit Corporation	Delaware	100
Dow Deutschland Inc.	Delaware/Germany	100
Dow Chemical Inter-American Limited	Delaware	100
Dow Quimica de Colombia S.A. (5)	Colombia	10
Dow Deutschland GmbH & Co. OHG (9)	Germany	99
Dow Deutschland Anlagengesellschaft mbH	Germany	100
Dow Deutschland GmbH & Co. OHG (9)	Germany	1
Dow Hungary Kft.	Hungary	100
Dow Portugal Produtos Quimicos S.A.	Portugal	100
Dow Turkiye A.S. (3)	Turkey	5
Epoxital S.R.L. (1)	Italy	50
Safechem Umwelt Service GmbH	Germany	100
Dow Engineering Company	Delaware	100
Dow Engineering, Inc.	Michigan	100
Dow Environmental Inc.	Delaware	100
Dow Europe Holding N.V.	Netherlands	100
Buna Sow Leuna Olefinverbund GmbH	Germany	100
BSL Pipeline Gesellschaft mbH & Co. KG	Germany	80
BSL Pipeline Verwaltungsgesellschaft mbh	Germany	80
Dow Austria Ges. mbH	Austria	100
Dow Belgium, N.V.	Belgium	100
Dolpa S.a.r.l.	Belgium	100
Dow International Service Center, B.V.B.A (24)	Belgium	1
Dow International Service Center, B.V.B.A (24)	Belgium	99
Dow Benelux N.V.	Netherlands	100
Dow Netwerk B.V.	Netherlands	100
Terneuzen Partnership Services B.V.	Netherlands	100
Emergo Manufacturing C.V. (21)	Netherlands	11
Emergo Manufacturing C.V. (21)	Netherlands	89
Inkoopcombinatie ELSTA V.O.F. (1)	Netherlands	50
Polyol Belgium, N.V. (12)	Belgium	99
Rofan Automation and Information Systems B.V.	Netherlands	100

Subsidiaries of The Dow Chemical Company

EXHIBIT 21

At December 31, 2000

	*Location**	*% Ownership*
Dow Chemical Iberica S.A.	Spain	99
DowBrands Espanola S.A.	Spain	100
Dow Chemical OOO	Russia	100
Dow France S.A.	France	100
Dow Synthetic Elastomers S.A.S.	France	100
Dow InterBranch B.V.	Netherlands	100
Dow Danmark A/S	Denmark	100
Dow Norge A/S	Norway	100
Dow Italia S.p.A.	Italy	100
Dow Mideast Systems (JSC) (2)	Egypt	1
Dow Polska Sp.z.o.o.	Poland	100
Dow Southern Africa (Pty) Ltd.	South Africa	100
Dow Suomi OY	Finland	100
Dow Sverige AB	Sweden	100
Ginger B.V. (1)	Netherlands	50
Polyol Belgium, N.V. (12)	Belgium	1
Dow (Europe) S.A.	Switzerland	100
Advanced Design Concepts GmbH (1)	Germany	50
Dow Export S.A.	Switzerland	100
Dow Mideast Systems (JSC) (2)	Egypt	1
Dow AgroSciences Technology GmbH (26)	Switzerland	1
Dow Turkiye A.S. (3)	Turkey	1
Dow Financial Holdings Inc.	Delaware	100
Dow Holdings Inc.	Delaware	100
Dow Corning Corporation (1)	Michigan	50
Dow Hydrocarbons and Resources Inc.	Delaware	100
Cayuse Pipeline, Inc.	Texas	100
Dow Intrastate Gas Company	Louisiana	100
Dow Pipeline Company	Texas	100
Midland Pipeline Corp.	Delaware	100
Fort Saskatchewan Ethylene Storage Corporation (1)	Canada	50
Oasis Pipeline Company (1)	Delaware	50
DowBrands L.P. (6)	Delaware	58
Dow Financial Services Inc.	Delaware	100
Dow Hellas A.E.	Greece	100
Dow International B.V.	Netherlands	100
Dow International Financial Services	Ireland	100
Dow Capital Public Limited Company	Ireland	100
Dow Investment Argentina S.A.	Argentina	100
Petroquimica Bahia Blanca S.A.I.C.	Argentina	63
Polisur S.A.	Argentina	70
Dow Kakoh Kabushiki Kaisha	Japan	65
Dow Mideast Systems (JSC) (2)	Egypt	99
Dow Quimica Argentina S.A.	Argentina	100
Dow Quimica Chilena S.A.	Chile	100
Dow Quimica de Colombia S.A. (5)	Colombia	90
Dow Quimica Latin America S.A.	Uruguay	100
Dow Quimica Mexicana S.A. de C.V.	Mexico	100
Dow Internacional Mexicana S.A. de C.V.	Mexico	100
Dow South Africa Holdings (Pty.) Ltd.	South Africa	100
Sentrachem Limited	South Africa	100
Academy Plastic Specialists (Proprietary) Limited	South Africa	100
African Amines (Propietary) Limited (1)	South Africa	50
Aquachlor (Proprietary) Limited (1)	South Africa	50
Chrome International SA (Proprietary) Limited (1)	South Africa	50
Cisvaal (Proprietary) Limited	South Africa	100
Dow Plastics Southern Africa (Pty) Ltd.	South Africa	100
Invesen Finance (Pty) Ltd.	South Africa	100
Jakkalsbessie Beleggings (EDMS) Bpk.	South Africa	100

	Location*	% Ownership
Mega Plastics Properties (Propietary) Limited	South Africa	100
Minchem International Inc.	South Africa	100
NCP Holdings Ltd.	Jersey Channel Islands	100
Nedchem Finance (Proprietary) Limited (1)	South Africa	50
Orchem (Proprietary) Limited	South Africa	70
Peskor (Pty) Ltd.	South Africa	100
PGM Chemicals (Proprietary) Limited	South Africa	100
Profinans (EDMS) Beperk. (1)	South Africa	50
Safripol (Pty) Ltd.	South Africa	100
South African Polymer Holdings (Pty.) Ltd.	South Africa	100
Salt and Chemicals (Pty) Ltd.	Namibia	100
SENDURB (Pty) Ltd.	South Africa	100
Senmin (Pty) Ltd.	South Africa	100
Sentrachem Gardens (Pty) Ltd.	South Africa	100
Surechem (Jersey) Insurance Company Limited	Jersey Channel Islands	100
Syntheta (Proprietary) Limited	South Africa	100
Fluoropharm Joint Venture Partnership (1)	South Africa	50
Randjespark Property Holdings (Pty.) Ltd.	South Africa	100
The Synthetic Latex Company (Pty.) Limited	South Africa	51
Walvis Bay Salt Refiners (Proprietary) Limited	Namibia	100
Dow Trading PRC Inc.	Delaware	100
Dow Trading S.A.	Switzerland	100
Dow Turkiye A.S. (3)	Turkey	94
Dow Venezuela, C.A.	Venezuela	100
CV Services Ltd.	Cayman Islands	100
DowBrands Inc. (20)	Delaware	79
El Dorado Terminals Company (1)	New Jersey	50
Essex Chemical Corporation	New Jersey	100
Essex Specialty Products, Inc.	New Jersey	100
American Mortell Corporation	Texas	100
Mortell Company	Delaware	100
Anabond Essex India Private Limited (1)	India	50
Diamond Technology Partnership Company (7)	Delaware	12
Essex Do Brasil Industria E Comercio Ltda.	Brazil	100
Essex de Hermosillo, S.A. DE C.V.	Mexico	100
Essex Specialty Products, Inc., Canada	Canada	100
Essex Specialty Products Korea Limited	Korea	100
Expandite-Essex Pty. Limited (1)	Australia	50
Gurit-Essex AG (1)	Switzerland	50
Selco Industria E Comercio S/A	Brazil	51
Sound Alliance LLC	Delaware	60
Wuhan Essex-Tigers Chemical Co., Ltd.	China	51
Etoxilados del Plata S.A.	Argentina	100
Flexible Products Company	Georgia	100
Flexible Products Company of Canada	Canada	100
Flexible Products de Chile Limitada	Chile	95
Flexible Products Europe Limited	United Kingdom	100
FilmTec Corporation	Delaware	100
Forbanco Inc.	Delaware	100
General Latex and Chemical Corporation	Massachusetts	100
General Latex and Chemical Corporation (of Ga.)	Georgia	100
General Latex and Chemical Corporation (of N.C.)	North Carolina	100
General Latex and Chemical Corporation (of Ohio)	Ohio	100
General Latex Canada Inc.	Canada	100
Great Western Pipeline Company, Inc.	California	100
Ifco Inc.	Delaware	100
Chemtech II L.P. (8)	Delaware	5
Ion Holdings LLC (25)	Delaware	60
Ion Investments S.a.r.l.	Luxembourg	100

Subsidiaries of The Dow Chemical Company

EXHIBIT 21

At December 31, 2000

	Location*	% Ownership
Tornado Finance V.O.F.	Netherlands	60
INCA International S.p.A.	Italy	80
Innovase LLC (1)	California	50
Intarsia Corporation	Delaware	80
iVenturi, Inc.	Delaware	52
Joliet Marine Terminal Trust Estate (1)	Illinois	50
Liana Limited	Delaware	100
Dorinco Insurance (Ireland) Limited	Ireland	100
Dorinco Reinsurance Company	Michigan	100
Dorintal Reinsurance Limited	Bermuda	100
Timber Insurance Limited	Bermuda	100
LG Dow Polycarbonate Limited (1)	Korea	50
P.T. Dow Polymers Indonesia (22)	Indonesia	70
P.T. Pacific Indomas Plastic Indonesia (23)	Indonesia	99
Productos Quimicos Peruanos S.A.	Peru	100
Quixtor Technologies Corporation	Delaware	100
Raven Group Ltd.	Delaware	85
RavenWorks Ltd.	Delaware	85
Rofan Services Inc.	Delaware	100
DH Compounding Company (1)	Delaware	50
Dow AgroSciences LLC (11)	Delaware	6
Ion Holdings LLC (25)	Delaware	40
Mycogen Corporation (19)	California	87
Dinamilho Carol Produtos Agricolas Ltda.	Brazil	100
Dow AgroSciences LLC (11)	Delaware	51
Advanced AgriTraits LLC	Delaware	84
Alsan Research (1)	Iowa	50
Chemexport Inc. (1)	Cayman Islands	50
D.E. United (Private) Limited (1)	Pakistan	50
DERe Insurance Company	Vermont	100
Dintec Agrichemicals (1)	Delaware	50
Dow AgroSciences Agricultural Products Limited LLC	Mauritius	100
DE-NOCIL Crop Protection Limited	India	51
Dow AgroSciences B.V.	Netherlands	100
Agrofarm Israel Ltd.	Israel	100
Ambito DAS S.A. (1)	Argentina	50
ChacoDAS S.A. (1)	Argentina	50
Costa Galana DAS SA (1)	Argentina	50
DAS Ihara K.K. (1)	Japan	50
Desab S.A. (1)	Argentina	50
Dintec Agroquimica Produtos Quimicos, Lda.	Portugal	66
Distribuidora de Agroquimicos del Sureste de la Republica S.A. de C.V. (1)	Mexico	50
Dow AgroSciences (Malaysia) Sdn Bhd	Malaysia	100
Dow AgroSciences (NZ) Limited	New Zealand	100
Dow AgroSciences A.S.	Turkey	100
Dow AgroSciences Argentina S.A.	Argentina	100
Corporacion de Inversiones Frutihorticolas S.A. (27)	Argentina	1
Dow AgroSciences Asia Sdn. Bhd.	Malaysia	100
Dow AgroSciences Australia Limited	Australia	100
Dow AgroSciences Bolivia S.A.	Bolivia	100
Dow AgroSciences Canada Inc.	Canada	100
Dow AgroSciences Chile S.A.	Chile	100
Dow AgroSciences Costa Rica S.A.	Costa Rica	100
Dow AgroSciences Danmark A/S	Denmark	100
Dow AgroSciences de Colombia S.A.	Colombia	100
Dow AgroSciences de Mexico S.A. de C.V.	Mexico	100
Dow AgroSciences Export S.A.S.	France	100
Dow AgroSciences GmbH	Germany	100
Dow AgroSciences Guatemala S.A.	Guatemala	100

EXHIBIT 21

Subsidiaries of The Dow Chemical Company

At December 31, 2000

	*Location**	*% Ownership*
Dow AgroSciences Iberica S.A.	Spain	100
Dow AgroSciences Industrial Ltda.	Brazil	100
Dow AgroSciences Limited	United Kingdom	100
Dow AgroSciences Pacific Limited	Hong Kong	100
Dow AgroSciences Paraguay S.A.	Paraguay	100
Dow AgroSciences Polska Sp. z.o.o.	Poland	100
Dow AgroSciences S.A.S.	France	100
Dow AgroSciences Distribution S.A.S.	France	100
Dow AgroSciences s.r.o.	Czech Republic	100
DAS Chemicals Southern Africa (Pty) Ltd.	South Africa	100
Dow AgroSciences Sverige A/B	Sweden	100
Dow AgroSciences Taiwan Ltd.	Republic of China	100
Dow AgroSciences Technology GmbH (26)	Switzerland	99
Dow AgroSciences Switzerland S.A.	Switzerland	100
Dow AgroSciences Uruguay S.A.	Uruguay	100
Dow AgroSciences Venezuela C.A.	Venezuela	100
Dow AgroSciences Vertriebsgesellschaft GmbH	Austria	100
Dow Chemical Japan Limited (10)	Japan	11
Fedea S.A. (1)	Argentina	50
I.C.R. - Intermedi Chimici Ravenna S.p.A. (1)	Italy	50
JV Agro S.A. (1)	Argentina	50
Lima Delta Ltd. (1)	Israel	50
P.T. Pacific Chemicals Indonesia	Indonesia	100
Pentec - Productos Quimicos, Lda. (1)	Portugal	50
Rindes y Cultivos - DAS S.A. (1)	Argentina	50
Ubajay-DAS S.A. (1)	Argentina	50
Zoo-Agro de Venezuela, C.A. (1)	Venezuela	50
Dow AgroSciences Barbados Limited	Barbados	100
Dow AgroSciences China Ltd. - Beijing Rep. Office	Delaware	100
Dow AgroSciences International Ltd.	Delaware	100
Dow AgroSciences (Thailand) Limited	Thailand	100
DowBrands Inc. (20)	Delaware	21
OCI DAS Co., Ltd. (1)	Korea	50
Dow AgroSciences Southern Africa (Proprietary) Limited	South Africa	100
Agbro (Proprietary) Limited	South Africa	100
Agroserve (Proprietary) Limited	South Africa	100
Farmpak (Proprietary) Limited	South Africa	100
Hyperchemicals International (Pty) Ltd.	South Africa	100
Learstraat Beleggings (EDMS) Bpk.	South Africa	100
Velsimex S.A. de CV (1)	Mexico	50
Mycogen Crop Protection, Inc.	California	100
Mycogen Far East Asia Corporation	California	100
Mycogen S.A. de C.V. (4)	Mexico	99
Parasitix Corporation	California	100
Mycogen Plant Science, Inc.	Delaware	100
Agrigenetics, Inc.	Delaware	100
Mycogen Canada Inc.	Canada	100
Mycogen Seeds-Puerto Rico Corporation	Delaware	100
Mycoyen S.A.	Argentina	100
Corporacion de Inversiones Frutihorticolas S.A. (27)	Argentina	99
Mycogen S.A. de C.V. (4)	Mexico	1
Mycosub/BA, Inc.	Delaware	100
MJT BA L.P. (1)	California	50
Mycosub/BH, Inc.	Delaware	100
MJT BH/BT L.P. (1)	California	50
Phytogen Seed Company, LLC	Delaware	51
Wenben Inc.	Delaware	100
Dupont Dow Elastomers L.L.C. (1)	Delaware	50
Scotdril Midland Inc.	Michigan	100

Subsidiaries of The Dow Chemical Company

EXHIBIT 21

At December 31, 2000

	*Location**	*% Ownership*
Scotdril Offshore Company (17)	United Kingdom	2
Scotdril Offshore Company (17)	United Kingdom	98
Sentrachem US, Inc.	Delaware	100
Hampshire Holdings, Inc.	Delaware	100
Hampshire Chemical Corp.	Delaware	100
Hampshire Chemical Finance Corp.	Delaware	100
Styron Asia Limited (1)	Hong Kong	50
Styron Asia Ltd.-Shanghai Representative Office	China	100
Sumitomo Dow Limited. (1)	Japan	50
TCM Technologies Inc.	Delaware	100
Ulsan Pacific Chemical Corporation (14)	Korea	20
Yokkaichi MDI Limited (1)	Japan	50
Zhejiang Pacific Chemical Corporation	China	100

*Location of incorporation or organization. Primary location of organization is reported for partnerships.

(1) These companies are nonconsolidated affiliates of The Dow Chemical Company and are accounted for on the equity basis. Separate financial statements for these companies are not included in this Form 10-K. These companies are not controlled, directly or indirectly, by The Dow Chemical Company. Subsidiaries of these companies, if any, are not listed in this Exhibit 21.
(2) The Dow Chemical Company effective ownership of Dow Mideast Systems (JSC) is 100% of which The Dow Chemical Company owns 99.85%, Dow Europe Holding N.V. owns .075% and Dow (Europe) S.A. owns .075%.
(3) The Dow Chemical Company effective ownership of Dow Turkiye A.S. is 100% of which The Dow Chemical Company owns 94%, Dow Deutschland Inc. owns 5% and Dow (Europe) S.A. owns 1%.
(4) The Dow Chemical Company effective ownership of Mycogen S.A. de C.V. is 100% of which Mycogen Crop Protection, Inc. owns 99% and Agrigenetics, Inc. owns 1%.
(5) The Dow Chemical Company effective ownership of Dow Quimica de Colombia S.A. is 100% of which The Dow Chemical Company owns 90% and Dow Chemical Inter-American Limited owns 10%.
(6) The Dow Chemical Company effective ownership of DowBrands L.P. is 100% of which Dow Financial Holdings Inc. owns 58% and DC Partnership Management Inc. owns 42%.
(7) The Dow Chemical Company effective ownership of Diamond Technology Partnership Company is 100% of which The Dow Chemical Company owns 88.5% and Essex Specialty Products, Inc. owns 11.5%.
(8) The Dow Chemical Company effective ownership of Chemtech II L.P. is 78% of which Dow Chemical Delaware Corp. owns 72.46% and Ifco Inc. owns 5.15%.
(9) The Dow Chemical Company effective ownership of Dow Deutschland GmbH & Co. OHG is 100% of which Dow Deutschland Inc. owns 99% and Dow Deutschaland Anlagengesellschaft mbH owns 1%.
(10) The Dow Chemical Company effective ownership of Dow Chemical Japan Ltd. is 100% of which The Dow Chemical Company owns 89% and Dow AgroSciences B.V. owns 11%.
(11) The Dow Chemical Company effective ownership of Dow AgroSciences LLC is 100% of which Rofan Services Inc. owns 6%, Centen Ag Inc. owns 43% and Mycogen Corporation owns 51%.
(12) The Dow Chemical Company effective ownership of Polyol Belgium, N.V. is 100% of which Dow Benelux N.V. owns 99.5% and Dow Europe Holding N.V. owns .5%.
(13) The Dow Chemical Company effective ownership of Chemtech Portfolio Inc. is 93% of which Diamond Technology Partnership Company owns 67% and Chemtech II L.P. owns 33% (see Note 8 for Chemtech II L.P. to calculate The Dow Chemical Company effective ownership of 26%).
(14) The Dow Chemical Company effective ownership of Ulsan Pacific Chemical Corporation is 100% of which Dow Chemical Pacific Limited owns 80% and The Dow Chemical Company owns 20%.
(15) The Dow Chemical Company effective ownership of Dow S/B Latex (Zhangjiagang) Co. Ltd. is 100% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 90%.
(16) The Dow Chemical Company effective ownership of Dow Chemical (Zhangjiagang) Co. Ltd. is 100% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 90%.
(17) The Dow Chemical Company effective ownership of Scotdril Offshore Company is 100% of which The Dow Chemical Company owns 98% and Scotdril Midland Inc. owns 2%.
(18) The Dow Chemical Company effective ownership of SAL Petrochemical (Zhangjiagang) Company Limited is 50% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 40%.
(19) The Dow Chemical Company effective ownership of Mycogen Corporation is 100% of which Centen Ag. Inc. owns 13% and Rofan Services Inc. owns 87%.
(20) The Dow Chemical Company effective ownership of DowBrands Inc. is 100% of which Dow AgroSciences LLC owns 21% and The Dow Chemical Company owns 79%.
(21) The Dow Chemical Company effective ownership of Emergo Manufacturing C.V. is 100% of which Terneuzen Partnership Services B.V. owns 11% and Dow Benelux N.V. owns 89%.
(22) The Dow Chemical Company effective ownership of P.T. Dow Polymers Indonesia is 100% of which The Dow Chemical Company owns 70.29% and Dow Chemical Pacific (Singapore) Private Limited owns 29.71%.
(23) The Dow Chemical Company effective ownership of P.T. Pacific Indomas Plastic Indonesia is 100% of which The Dow Chemical Company owns 99% and Dow Chemical Pacific (Singapore) Private Limited owns 1%.
(24) The Dow Chemical Company effective ownership of Dow International Service Center, B.V.B.A is 100% of which Dow Belgium, N.V. owns 99.9975% and Dolpa S.a.r.l. owns .0025%.
(25) The Dow Chemical Company effective ownership of Ion Holdings LLC is 100% of which The Dow Chemical Company owns 60% and Rofan Services Inc. owns 40%.
(26) The Dow Chemical Company effective ownership of Dow AgroSciences Technology GmbH is 100% of which Dow AgroSciences B.V. owns 99.99% and Dow (Europe) S.A. owns .01%.
(27) The Dow Chemical Company effective ownership of Corporacion de Inversiones Frutihorticolas S.A. is 100% of which Mycoyen S.A. owns 99.96% and Dow AgroSciences Argentina S.A. owns .04%.

Independent Auditors' Consent

The Dow Chemical Company:

We consent to the incorporation by reference of our report dated February 6, 2001 appearing in this Annual Report on Form 10-K of The Dow Chemical Company for the year ended December 31, 2000, in the following Registration Statements of The Dow Chemical Company:

Form S-3:

Nos. 33-37052
33-52980
333-88617

Form S-4:

No. 333-88443

Form S-8:

Nos. 2-44789
2-64560
33-21748
33-37345
33-51453
33-52841
33-56138
33-56140
33-58205
33-61795
333-27379
333-27381
333-33254
333-40271
333-43730
333-49183
333-55046
333-88443
333-91027

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
Midland, Michigan
March 9, 2001

Form No. 161-00526

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TRACY GORD WALTER
DOW CENTER/LEGAL
2030 DOW CENTER
MIDLAND MI 48674
(517)636-2521

SHIP DATE: 31AUG01
ACC # 101753964
ACTUAL WGT: 1 LBS SCALE

TO: DEENA SHEPPARD-JOHNSON (312)886-7048
U.S. EPA
REMEDIAL ENFORCEMENT SUPPORT SECT.
77 WEST JACKSON BOULEVARD (SR-6J)
CHICAGO IL 60604-3590

4015 2386 8559 FedEx.

REF: YM 34008027

STANDARD OVERNIGHT TUE

cad # 0665010 31AUG01 Deliver by:

TRK# 4015 2386 8559 FORM 0201 04SEP01

ORD A1

60604 -IL-US TP LOTA

153078 NRIT 12/00

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cash or cash equivalent.

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TRACY GOAD WALTER
DOW CENTER/LEGAL
2030 DOW CENTER
MIDLAND MI 48674
(517)636-2521

SHIP DATE: 31AUG01
ACC # 101753964
ACTUAL WGT: 1 LBS SCALE

TO: DEENA SHEPPARD-JOHNSON (312)886-7048
U.S. EPA
REMEDIAL ENFORCEMENT SUPPORT SECT.
77 WEST JACKSON BOULEVARD (SR-6J)
CHICAGO IL 60604-3590

4015 2386 8559 FedEx.

REF: YM 34008027

STANDARD OVERNIGHT TUE

cad # 0665010 31AUG01 Deliver by:
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153078 NRIT 12/00

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cash or cash equivalent.

). See declared value limit information.